

### Agency Budget Comparison

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

Proposed Budget Table								Biennium
Budget Item	FY 2014	FY 2015	Executive Budget Request		2015 Biennium	2017 Biennium	Biennium	%
	Actuals	Appropriation	FY 2016	FY 2017			Change	Change
Full Time Equivalents (FTE)	2,923.58	2,923.58	2,872.80	2,945.49	2,923.58	2,945.49	21.91	0.7%
<b>By Branch/Division</b>								
6902 - Economic Security Services	\$418,039,816	\$448,569,434	\$253,241,922	\$256,171,739	\$866,609,250	\$509,413,661	(\$357,112,817)	-41.2%
6904 - Director's Office	6,848,480	4,764,783	5,768,945	5,780,210	11,613,263	11,549,155	(64,108)	-0.6%
6906 - Operation Services	46,033,250	52,635,940	50,779,235	50,100,954	98,669,190	100,880,189	2,210,999	2.2%
6907 - Public Health and Safety	61,132,663	66,164,415	64,114,812	64,114,636	127,297,078	128,229,448	932,370	0.7%
6911 - Medicaid & Health Services	1,339,739,577	1,431,080,562	1,569,642,204	1,669,501,573	2,770,820,139	3,239,143,777	473,249,062	17.1%
<b>By Expenditure</b>								
Total Personal Services	170,695,929	177,831,558	187,565,687	191,548,783	348,527,487	379,114,470	30,586,983	8.8%
Total Operating Expenses	106,482,041	121,938,450	116,914,722	118,987,309	228,420,491	235,902,031	7,564,312	3.3%
Total Equipment	628,233	772,994	728,233	653,233	1,401,227	1,381,466	(19,761)	-1.4%
Total Grants	74,885,046	75,708,585	88,281,954	88,281,954	150,593,631	176,563,908	25,970,277	17.2%
Total Benefits & Claims	1,515,940,213	1,623,550,967	1,546,897,599	1,643,033,441	3,139,491,180	3,189,931,040	50,439,860	1.6%
Total Transfers	2,939,272	3,090,204	2,932,772	2,932,772	6,029,476	5,865,544	2,579,649	42.8%
Total Debt Service	223,052	292,376	226,151	231,620	515,428	457,771	(57,657)	-11.2%
<b>By Fund</b>								
General Fund	445,923,423	469,041,374	528,406,791	564,413,772	914,964,797	1,092,820,563	174,786,217	19.1%
State Special Revenue	146,927,323	157,559,743	157,347,468	160,489,783	304,487,066	317,837,251	18,620,157	6.1%
Federal Special Revenue	1,278,943,040	1,376,614,017	1,257,792,859	1,320,765,557	2,655,557,057	2,578,558,416	(80,194,302)	-3.0%
<b>Total</b>	<b>\$1,871,793,786</b>	<b>\$2,003,215,134</b>	<b>\$1,943,547,118</b>	<b>\$2,045,669,112</b>	<b>\$3,875,008,920</b>	<b>\$3,989,216,230</b>	<b>\$113,212,072</b>	<b>2.9%</b>

### Agency Description

The Department of Public Health and Human Services (DPHHS) strives to improve and protect the health, well-being, and self-reliance of all Montanans. 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 has four branches and the Director's Office. The branches and related divisions are:

- o Economic Security Services consisting of four divisions: Disability Employment and Transitions, Human and Community Services, Child and Family Services, and Child Support Enforcement
- o Operations Services consisting of four divisions: Business and Financial Services, Quality Assurance, Technology Services, and Management and Fair Hearings
- o Public Health and Safety
- o Medicaid and Health Services consisting of five divisions: Disability Services, Health Resources, Medicaid and Health Services, Senior and Long-Term Care, and Addictive and Mental Disorders

DPHHS is also responsible for all state facilities except correctional institutions. These facilities are:

- o Montana State Hospital (MSH), Warm Springs
- o Montana Mental Health Nursing Care Center (MMHNCC), Lewistown
- o Montana Chemical Dependency Center (MCDC), Butte
- o Eastern Montana Veterans' Home (EMVH), Glendive
- o Montana Veterans' Home (MVH), Columbia Falls
- o Montana Developmental Center (MDC), Boulder

Additional information is included in the agency profile: <http://leg.mt.gov/fbp-2017.asp>.

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> <li>◆ The DPHHS 2017 biennium budget request is \$113.2 million higher than the 2015 biennium; however, the general fund increase is \$174.8 million between biennia, while federal funds decline by \$82.7 million                             <ul style="list-style-type: none"> <li>• The most significant reduction in federal funds is due to the executive proposal to switch SNAP (Supplemental Nutrition Assistance Program) from a HB 2 appropriation to a statutory appropriation - \$363.9 million</li> <li>• Another part of this funding switch is due to a change in the Federal Medical Assistance Percentage (FMAP), which lowers the federal share and increases the state share of Medicaid services and foster care and adoption services - \$54.1 million</li> </ul> </li> <li>◆ Other major changes in the executive budget request include:                             <ul style="list-style-type: none"> <li>• A 2% annual provider rate increase and additional rate increases for some direct care workers - \$58.9 million total funds, including \$20.1 million general fund</li> <li>• An adult mental health initiative - \$12.6 million general fund and 82.70 new FTE for expanded community mental health services and addition of a wing for dementia services at the Montana Mental Health Nursing Care Center, and expansion of the forensic wing and for staff and operating cost support for a new group home at the Montana State Hospital</li> <li>• Medicaid enrollment and service utilization increases - \$383.7 million total funds, including \$116.3 million general fund</li> <li>• Additional enrollment in the Children’s Health Insurance Program (CHIP) funded components of Healthy Montana Kids (HMK) - \$46.8 million total funds, including \$3.9 million general fund</li> <li>• Overtime and operating cost increases at the six state facilities - \$21.7 million total funds, including \$16.3 million general fund</li> </ul> </li> <li>◆ The legislative budget analysis is based on the FY 2015 legislative appropriation, so changes that the legislature will consider are \$114.1 million, including \$178.0 million general fund, which is slightly higher than the biennial change shown in the main agency table</li> </ul>
Major LFD Issues
<ul style="list-style-type: none"> <li>◆ The executive budget anticipates continued funding for CHIP in the 2017 biennium, but does not include the effect of the enhanced federal match rate, which would reduce state funding requirements by an estimated \$50.2 million over the biennium</li> <li>◆ There is \$22.3 million in duplicate appropriation authority in the executive request that could be accommodated using a statutory appropriation</li> <li>◆ The amount requested for a provider rate increase is not adequate to raise rates by 2% annually for all services</li> <li>◆ There are legislative initiatives for mental health services from an interim study and proposed by the Children, Families, Health, and Human Services Interim Committee</li> <li>◆ The executive is proposing to expand Medicaid eligibility to non-disabled, non-pregnant persons between the ages of 19 – 64 with incomes up to 138% of the federal poverty level (LC 631), which would allow certain state funded DPHHS programs to be partially funded with federal Medicaid matching funds</li> <li>◆ The executive budget contains \$4.5 million more funding from the health and Medicaid state special revenue account than is projected to be available, while there is \$1.9 million more revenue available in the tobacco settlement interest state special revenue than requested in the executive budget</li> </ul>

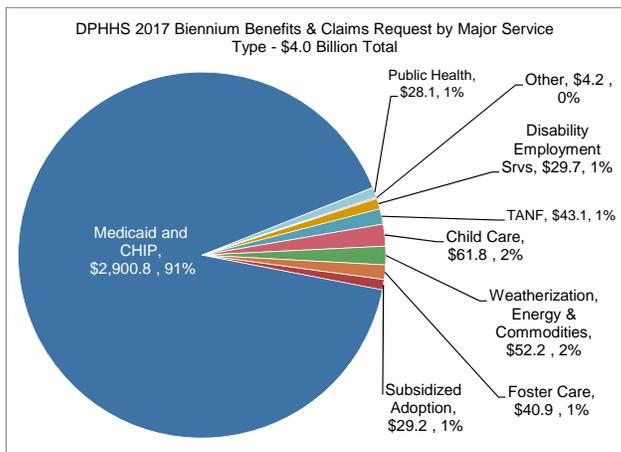
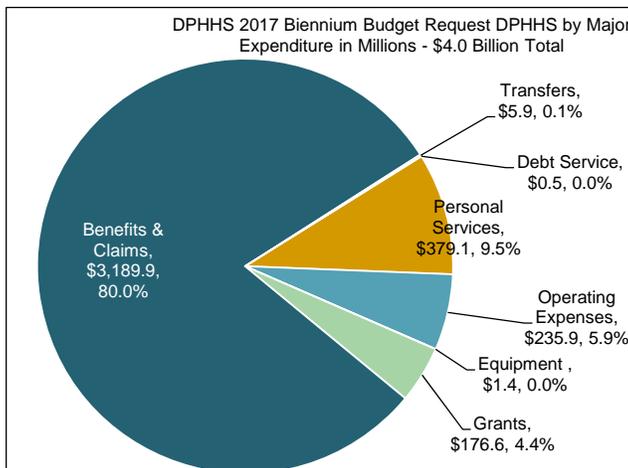
**Agency Discussion**

The graph on the right shows the DPHHS 2017 biennium budget request by major component. The total request is just under \$4.0 billion.

Personal services are about 10% of the total or \$379.1 million. The six state facilities operated by DPHHS comprise about 34% of personal services costs. State facilities also contribute significantly to operating costs for the agency, with about 21% of the total operating budget. In FY 2017, state facility FTE total 1,055.51, or 36% of the FTE funded in the executive request.

The personal services budget for the 2017 biennium is \$379.1 million, which is an increase of \$30.2 million or 8.7% over the 2015 biennium. In addition to annualization of HB 13 salary and benefit adjustments, increases for the 2017 biennium are due to:

- o Restoration of full funding for the 2015 legislatively authorized FTE
- o Increases in the health insurance state share
- o Broadband pay adjustments, including reclassifications
- o Requests for overtime, holiday, and differential pay



Grant expenditures are 4% of the total of \$176.6 million. Grants fund contracts with entities that undertake activities that provide broad public benefits such as public health education and emergency preparedness.

Equipment, debt services, and transfers are under 1% of the total.

The majority of the request - \$3.2 billion for benefits and claims – supports services for persons who meet specific eligibility criteria, including financial, and sometimes age, medical, and disability criteria. The breakout of benefits by major service can be seen in the figure to the left. Medicaid services encompass most of the benefits expended by the department and are discussed further below.

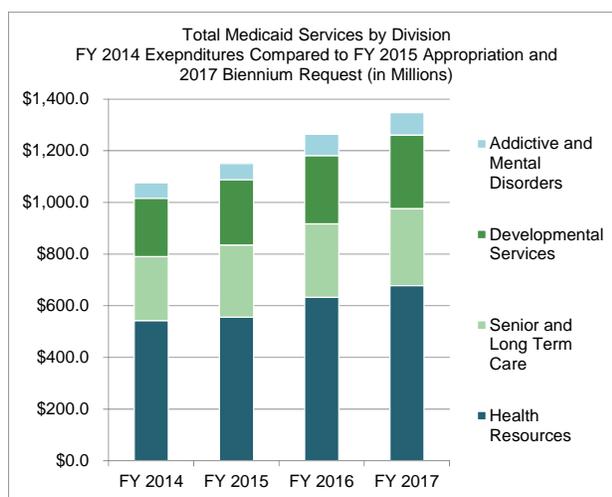
**Medicaid Services**

The most significant component of the benefits and claims funding is Medicaid services, which is 65% of the 2017 biennium executive budget request and 60% of the general fund. Medicaid services grow from \$1.1 billion in FY 2014 to \$1.3 billion in FY 2017, or an annual 7.8%. About 2% of the increase is attributable to the proposed provider rate increase. The majority of the change is due to enrollment and service utilization increases anticipated over the next three years. The graph on the right shows the cost of Medicaid services by division.

Health Resources administers state plan services such as hospital, physician, pharmacy, and laboratory services. It has 50% of the total Medicaid services 2017 biennium budget request, and increases from the FY 2014 expenditure level of \$556.0 million to \$678.1 million in FY 2017. Similar changes in other divisions are:

- o Senior and Long Term Care - \$248.4 million to \$298.6 million
- o Developmental Services - \$224.9 million to \$284.1 million
- o Addictive and Mental Disorders - \$60.2 million to \$86.8 million

The amounts shown in the graph include present law changes for enrollment and service utilization changes as well as new proposals for provider rate increases.



*Provider Rate Increases*

The executive budget includes \$73.0 million total funds, including \$25.0 million general fund, for provider rate increases.

The adjacent table shows the executive budget request for provider rate increases by division and by fund source. Included in the table is a 2% annual provider rate increase for all divisions (\$58.9 million, including \$20.1 million general fund, of the total), as well as rate increases for direct care worker wages and to support the provision of health insurance for healthcare workers in the Senior and Long Term Care Division.

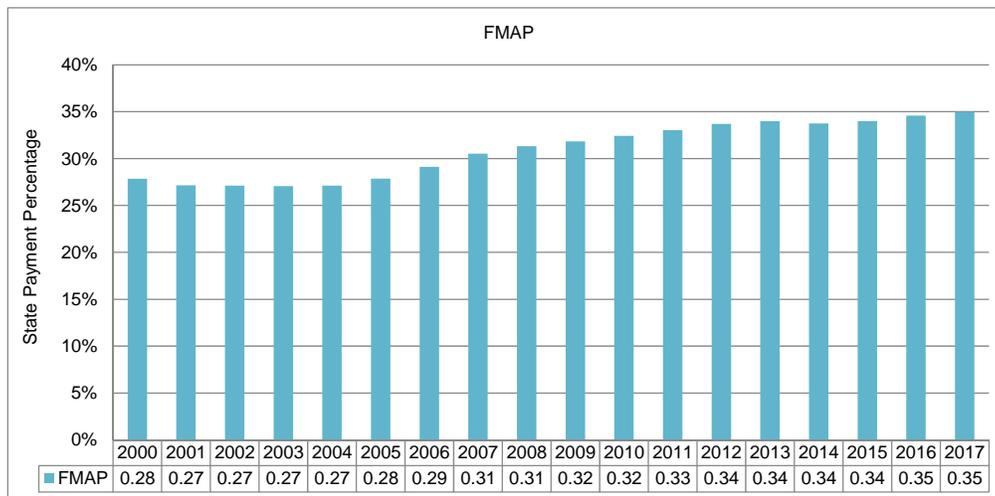
DPHHS Provider Rate Increases by Program and Fund Type				
Division and Funding	FY 2016	FY 2017	Biennial Total	% of Total
Disability Employment & Transitions	\$264,649	\$534,592	\$799,241	1.1%
Child & Family Services	384,382	775,475	1,159,857	1.6%
Disability Services	5,287,746	10,850,489	16,138,235	22.1%
Health Resources	6,606,343	13,212,687	19,819,030	27.2%
Senior & Long-term Care	5,382,973	10,873,608	16,256,581	22.3%
Direct Care Worker Wage	4,401,216	8,914,094	13,315,310	18.2%
Healthcare for Healthcare Workers	390,000	390,000	780,000	1.1%
Addictive & Mental Disorders	<u>1,551,628</u>	<u>3,165,444</u>	<u>4,717,072</u>	6.5%
Total Expenditures	24,268,937	48,716,389	72,985,326	
General Fund	8,277,787	16,699,042	24,976,829	34.2%
State Special	119,254	279,113	398,367	0.5%
Federal Special	15,871,896	31,738,234	47,610,130	65.2%
Grand Total	\$24,268,937	\$48,716,389	\$72,985,326	149.8%

The 2% annual provider rate increase totals \$58.9 million, including \$20.1 million general fund.

As noted previously, the funding request is not sufficient to cover the full cost of a 2% increase for all providers. Areas with insufficient funding and the amount of the rate increase that could be supported are noted throughout the legislative budget analysis.

*State/Federal Match Rate Changes*

The federal medical assistance match rate (FMAP) changes annually on October 1, affected by the strength of the state’s economy. This percentage defines the proportion of various expenditures that are reimbursed to the state by the federal government. The following chart shows the FMAP for FY 2000 – FY 2017. FY 2017 is an estimate, while the rate for FY 2016 is known.



The state percentage has been increasing recently, leading to rising state fund expenditures for these services. The effect of the FY 2016 and anticipated FY 2017 FMAP changes can be seen in the adjacent table, broken down by service and program.

Budget Item	General Fund	State Special	Federal Funds	Net Change
<b>Child &amp; Family Services</b>				
Foster Care	\$261,282	\$0	(\$261,282)	\$0
Guardianship	39,346	-	(39,346)	-
Subsidized Adoption	<u>476,986</u>	-	<u>(476,986)</u>	-
Subtotal	777,614	-	(777,614)	-
<b>Disability Services</b>				
Children's Mental Health	3,730,866	-	(3,730,866)	-
Waiver Providers	<u>5,210,972</u>	-	<u>(5,210,972)</u>	-
Subtotal	8,941,838	-	(8,941,838)	-
<b>Health Resources</b>				
HMK (CHIP)	-	2,172,504	(2,172,504)	-
HMK (CHIP-Funded)	-	3,920,716	(3,920,716)	-
Physical Health	21,503,534	-	(21,503,534)	-
Breast & Cervical Cancer	134,040	-	(134,040)	-
Hospital Util. Fee	<u>0</u>	<u>3,089,608</u>	<u>(3,089,608)</u>	-
Subtotal	21,637,574	9,182,828	(30,820,402)	-
<b>Senior &amp; Long Term Care</b>				
Community First Choice	1,362,308	-	(1,362,308)	-
Home Based Services	714,410	-	(714,410)	-
Nursing Homes	6,482,212	-	(6,482,212)	-
Nursing Homes IGT	-	669,644	(669,644)	-
Home & Community Based	<u>1,691,002</u>	<u>0</u>	<u>(1,691,002)</u>	-
Subtotal	10,249,932	669,644	(10,919,576)	-
<b>Addictive &amp; Mental Disorders</b>				
Adult Mental Health	1,554,500	394,632	(1,949,132)	-
Chemical Dependency	-	95,660	(95,660)	-
Home & Community Based	-	162,592	(162,592)	-
HIFA MHSP	-	<u>458,934</u>	<u>(458,934)</u>	-
Subtotal	1,554,500	1,111,818	(2,666,318)	-
<b>Total</b>	<b>\$43,161,458</b>	<b>\$10,964,290</b>	<b>(\$54,125,748)</b>	<b>\$0</b>

**Summary of State Facility Budget Requests**

The table below shows a biennial summary of state facility costs by facility. The executive budget funds a total of 597 persons served each day in all six state facilities. As noted previously, facility FTE and personal services costs are more than one third of the 2017 biennium budget request. In total, state facility budgets are \$139.1 million general fund or about 13% of the total agency general fund request.

The average annual cost to serve one person in each facility ranges from a high of about \$310,000 at the Montana Developmental Center to a low of \$50,000 at the Eastern Montana Veterans' Home (EMVH). Not all facility costs for EMVH are included in the HB 2 appropriation so the cost to serve one person is understated. The state contracts for operation of EMVH, so only the cost of the FTE to administer the contract and the pass through of

Facility/Funding	ADP*	FTE	Personal Services	All Other	Annual per Person Cost
Montana State Hospital	228	458.90	\$60,905,354	\$19,984,108	\$177,389
Montana Developmental Center	56	250.67	26,290,123	8,438,129	310,074
Mental Health Nursing Care Center	120	149.41	16,992,119	7,396,882	101,621
Montana Veterans' Home	96	141.86	16,228,735	6,408,670	117,903
Montana Chemical Dependency Center	39	53.25	7,426,372	3,453,463	139,485
Eastern Montana Veterans' Home	<u>58</u>	<u>1.06</u>	<u>139,308</u>	<u>5,672,421</u>	<u>50,015</u>
<b>Total</b>	<b>597</b>	<b>1,055.15</b>	<b>127,982,011</b>	<b>51,353,673</b>	<b>150,172</b>
General Fund					139,147,370
Other					40,188,314
<b>Total</b>					<b>\$179,335,684</b>

ADP is average daily population.

federal Veterans' Administration per diem reimbursements and some cigarette tax state special revenue are reflected in the table. Any other facility costs and revenues, such as Medicare and private reimbursements, are not included. As noted in the summary of the Governor's mental health initiative, it includes expansion of services at both MSH and the Montana Mental Health Nursing Care Center. In addition, there are other requests for facility cost increases.

Budget Item	General Fund	State/Federal	Total
<b>Montana State Hospital</b>			
Inflation	\$5,397,300	\$0	\$5,397,300
Overtime/Holiday/Differential	6,600,000	-	6,600,000
Subtotal	11,997,300	-	11,997,300
<b>Montana Veterans' Home</b>			
Inflation	-	1,503,688	1,503,688
Overtime/Holiday/Differential	-	1,715,264	1,715,264
Subtotal	-	3,218,952	3,218,952
<b>Montana Chemical Dependency Center</b>			
Inflation	-	1,155,202	1,155,202
Overtime/Holiday/Differential	-	1,040,912	1,040,912
Subtotal	-	2,196,114	2,196,114
<b>Montana Mental Health Nursing Care Center</b>			
Inflation	1,472,548	-	1,472,548
Overtime/Holiday/Differential	2,816,244	-	2,816,244
Subtotal	4,288,792	-	4,288,792
Grand Total Inflation	6,869,848	2,658,890	9,528,738
Grand Total Overtime	9,416,244	2,756,176	12,172,420
<b>Total</b>	<b>\$16,286,092</b>	<b>\$5,415,066</b>	<b>\$21,701,158</b>

*Facility Inflation and Overtime*

The adjacent figure shows the increases included in the executive request for facility inflation and overtime, by facility and by fund source. Facility inflation increases represent 5% of the 2017 biennium budget request for state facilities. These increases are compared to FY 2014 expenditures.

**Executive Mental Health Proposal**

The executive budget includes \$12.6 million general fund over the biennium to fund additional adult mental health services. The table below shows the biennial funding requested for each component, including 72.70 new FTE for facility based services. There is also a \$7.6 million appropriation requested in the long range building program to support construction of the facility services. The executive proposal is discussed in greater detail in the Addictive and Mental Disorders Division. As noted earlier, the Children, Families, Health and Human Services Interim Committee requested several bills to fund mental health services as well. A table at the end of the agency discussion lists those bills.

**Comparison of FY 2015 Legislative Base to FY 2014 Expenditures**

The legislative analysis for each DPHHS program uses the FY 2015 legislative appropriation. (However, the executive budget request is based on FY 2014 expenditures. The changes discussed in this overview are also based on the amount of funding needed to move from FY 2014 expenditures to the FY 2016 and FY 2017 executive request.)

The FY 2015 legislative base appropriation by program is shown in the following table. In total, the FY 2015 appropriation is \$131.5 million higher than FY 2014 expenditures. General fund is \$23.0 million higher.

More detailed information about the differences between the FY 2015 legislative appropriation and FY 2014 expenditures is available in the legislative analysis of each division. However, the main reasons that the FY 2015 appropriation exceeds the FY 2014 expenditure level are:

- o Medicaid enrollment and service utilization expansion - \$74.5 million total funds
- o A 2% provider rate increase authorized by the 2013 Legislature - \$18.2 million total funds
- o Childcare services - \$10.5 million
- o SNAP appropriation differences - \$9.0 million
- o TANF appropriation levels - \$5.5 million funds
- o Pay plan funding changes authorized by the 2013 legislature

Community and Facility Based Services	FTE	General Fund	Total
<b>Expanded Community Services</b>			
72 Hour Crisis Intervention		\$1,250,000	\$1,250,000
Peer Support Services		1,400,000	1,400,000
Housing and Re-entry		630,000	630,000
County Matching Grants (HB 130)		720,000	720,000
Secure Crisis Beds (HB 131)		400,000	400,000
Drop-In Centers		387,538	387,538
Contracted Forensic Evaluations		360,000	360,000
Crisis Intervention Team Training		100,000	100,000
Medicaid IGT Funding Shift		2,099,808	-
IPS Supported Employment		-	840,000
<b>Subtotal Community Services</b>		<b>7,347,346</b>	<b>6,087,538</b>
<b>Facility Based Services</b>			
Behavioral Health Inpatient Unit Plan		250,000	250,000
Forensic Unit D Wing MSH	43.50	3,001,448	3,001,448
Dementia Unit MMHNCC	29.20	2,001,740	2,001,740
<b>Subtotal Facility Services</b>	<b>72.70</b>	<b>5,253,188</b>	<b>5,253,188</b>
<b>Total Executive Proposal</b>	<b>72.70</b>	<b>\$12,600,534</b>	<b>\$11,340,726</b>

FY 2015 Legislative Base by Program Compared to Total FY 2014 Expenditures					
DPHHS Program	General Fund	State Special	Federal Special	Total Funds	% of Ttl
Disability Employment & Transitions	\$5,767,310	\$1,017,608	\$22,222,841	\$29,007,759	1.4%
Human & Community Services	34,364,835	2,948,659	302,412,167	339,725,661	17.0%
Child & Family Services	36,748,590	2,187,681	29,168,285	68,104,556	3.4%
Director's Office	1,764,065	425,791	1,837,529	4,027,385	0.2%
Child Support Enforcement	3,061,768	878,448	8,486,326	12,426,542	0.6%
Business & Financial Services	3,540,308	711,881	5,079,942	9,332,131	0.5%
Public Health & Safety	3,970,896	16,858,475	45,572,002	66,401,373	3.3%
Quality Assurance	2,724,281	578,112	6,393,424	9,695,817	0.5%
Information Technology Services	11,380,597	1,187,702	19,635,850	32,204,149	1.6%
Developmental Disability Services	86,403,724	6,632,480	194,837,054	287,873,258	14.4%
Health Resources	137,311,959	69,165,712	464,952,946	671,430,617	33.5%
Medicaid & Health Services Mngmt	2,837,618	94,504	15,406,536	18,338,658	0.9%
Management & Fair Hearings	429,634	26,912	642,222	1,098,768	0.1%
Senior & Long Term Care	70,446,633	38,937,842	207,465,037	316,849,512	15.8%
Addictive & Mental Disorders	68,164,903	15,899,914	52,746,137	136,810,954	6.8%
<b>Grand Total</b>	<b>\$468,917,121</b>	<b>\$157,551,721</b>	<b>\$1,376,858,298</b>	<b>\$2,003,327,140</b>	<b>100%</b>
FY 2014 Expenditures	445,923,423	146,927,323	1,278,943,040	1,871,793,786	
FY 2015 Appropriation Over FY 2014	22,993,698	10,624,398	97,915,258	131,533,354	
Percent Different	5.2%	7.2%	7.7%	7.0%	

**Legislative FY 2015 Appropriation Compared to the FY 2015 Appropriation in the Main Budget Table**

The main agency table shows the FY 2015 appropriation as implemented by the executive. It is about \$112,000 lower than the FY 2015 legislative appropriation, primarily in general fund. The difference is due to a combination of factors. Each division has a detailed description of the differences.

**Agency Funding**

The following table shows agency funding by source of authority as proposed by the executive.

Funding by Source of Authority			
	HB 2	Total All Sources	% Total All Funds
General Fund	\$1,092,820,563	\$1,092,820,563	27.3%
State Special	317,837,251	328,251,243	8.2%
Federal Special	2,578,558,416	2,578,558,416	64.5%
<b>Total</b>	<b>\$3,989,216,230</b>	<b>\$3,999,630,222</b>	<b>100.0%</b>

DPHHS is funded predominantly with federal funds – 64.5% over the biennium. General fund is 27%. State special revenue is 8%.

The difference between the HB 2 column and the Total All Sources column is due to a statutory appropriation of a portion of the alcohol tax proceeds that are allocated to DPHHS. The statutory appropriation distributes funds to state approved programs for the prevention and treatment of chemical dependency and is included in the Total All Sources amount.

<b>LFD ISSUE</b>	<p>General Fund Reduction</p> <p>The Affordable Care Act increases the federal CHIP match rate by 23%, which would lower the state funds required for the CHIP funded component of HMK by \$50.2 million over the 2017 biennium. The executive budget does not include this federal match rate adjustment in its HB 2 request.</p> <p>The legislature may wish to include the CHIP match rate change in HB 2. A further discussion is in the Health Resources Division.</p>
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**SNAP**

The executive has proposed a significant change in federal funding in HB 2 regarding Supplemental Nutrition Assistance Program (SNAP) benefits. SNAP is a fully federally funded program, with an anticipated budget of \$363.9 million over the 2017 biennium. The proposal is to shift the appropriation for SNAP from a HB 2 appropriation to a statutory appropriation.

**Major Sources of State Special Revenue**

There are three sources of state special revenue that fund multiple programs in DPHHS. Together they support about one third of the state special revenue portion of the 2017 biennium budget request. They were all established by citizen initiative, with uses of the revenue outlined in the statutes that created each account.

**Health and Medicaid Initiatives**

The following table shows the revenues, expenditures, and fund balance for the health and Medicaid initiatives account from FY 2014 through the end of the 2017 biennium. The citizen initiative that created the account raised tobacco taxes and dedicated the revenue to certain uses including:

- o State match for the federal CHIP grant and for increased Medicaid services and Medicaid provider rates
- o New programs to assist eligible small employers with the costs of providing health insurance benefits to eligible employees
- o Need-based prescription drug programs

The majority – 75% - of the health and Medicaid initiatives revenue supports the state Medicaid match for historic provider rate increases and in some instances service expansions. Other expenditures from the account include funding for a portion of the state match for the federal CHIP grant and the Big Sky Rx program, which provides financial assistance to low-income Medicare eligible persons to purchase Medicare Part D drug insurance. The health and Medicaid initiatives revenue is the only funding source for Big Sky Rx. During the 2015 biennium, a portion of the Insure Montana program, which offers premium assistance and tax credits to small employer who provide health insurance to their employees, was funded from the account.

Health and Medicaid Initiatives Fund Balance - 2015 Biennium Compared to 2017 Biennium					
Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance	Actual	Estimated	Executive Budget		% of
Revenue/Expenditures	FY 2014	FY 2015**	FY 2016	FY 2017	Total
Beginning Fund Balance	\$12,462,291	\$5,904,554	\$1,770,528	(\$1,806,343)	
Revenue - Cigarette and Tobacco Tax*	36,622,559	36,316,487	35,308,229	35,957,166	
Interest Earnings	98,170	118,219	407,866	860,601	
<b>Total Funds Available</b>	<b>49,183,020</b>	<b>42,339,260</b>	<b>37,486,624</b>	<b>35,011,423</b>	
<b>Expenditures</b>					
<u>Medicaid Services</u>					
State Plan Services - Hospitals, Dental, Physicians, Prescription Drugs**	7,869,905	8,099,462	7,869,905	7,869,905	19.9%
Nursing Home Services	5,746,947	5,746,948	5,746,947	5,746,947	14.6%
HIFA Waiver - Adult Mental Health	3,293,696	5,188,511	4,110,443	4,243,403	10.8%
Senior/Physically Disabled Waiver	3,092,007	3,092,008	3,092,007	3,092,007	7.8%
Developmental Disability Benefits	2,942,130	2,942,130	2,942,130	2,942,130	7.5%
Mental Health and Chemical Dependency	2,361,843	2,238,732	2,446,647	2,474,355	6.3%
Home Based Services	1,857,205	1,857,206	1,857,205	1,857,205	4.7%
Children's Mental Health Services	1,741,003	1,741,003	1,741,003	1,741,003	4.4%
Adult Mental Health Community Waiver	1,167,327	1,328,414	1,365,950	1,379,307	3.5%
<u>Other Programs</u>					
Insure Montana Premium Assistance***	3,604,651	-	-	-	0.0%
Insure Montana Health Ins. Tax Credits***	1,496,793	-	-	-	0.0%
Big Sky Rx	3,793,148	4,821,814	3,805,459	3,805,649	9.6%
Healthy Montana Kids/CHIP	4,218,520	3,453,921	4,218,520	4,218,520	10.7%
Other Services/Administration	93,290	58,583	96,751	98,618	0.2%
<b>Subtotal Expenditures</b>	<b>43,278,465</b>	<b>40,568,732</b>	<b>39,292,967</b>	<b>39,469,049</b>	<b>100%</b>
<b>Ending Fund Balance</b>	<b>\$5,904,554</b>	<b>\$1,770,528</b>	<b>(\$1,806,343)</b>	<b>(\$4,457,626)</b>	

\*Revenue based on estimates adopted by the Interim Committee on Revenue and Transportation.  
 \*\*FY 2015 costs are based on projected expenditures in the November 2014 DPHHS budget status report.  
 \*\*\*Insure Montana is funded through the end of the 2015 biennium from one-time appropriations.

<b>LFD ISSUE</b>	<p>Fund Inadequate to Support Executive Request</p> <p>Revenue from the health and Medicaid initiatives account is not adequate to support the executive budget request. The account is \$4.5 million short over the biennium. The legislature may wish to reduce spending from the account or increase revenue to the account to cover the shortfall.</p>
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**Tobacco Settlement Trust Fund Interest**

A portion (90%) of the interest from the tobacco settlement trust fund is deposited to a state special revenue account that may be used for tobacco disease prevention and for state programs that provide benefits, services, or coverage of health care needs. The following figure shows the revenues, expenditures, and fund balance for the account from FY 2014 through the end of the 2017 biennium. The ending fund balance in the account is expected to be \$1.7 million.

The majority – 60% - of the funding is used for state Medicaid match. A portion of the revenue funds public health programs and state funded programs for developmentally disabled persons and persons with a traumatic brain injury or with a serious and disabling mental illness. The 2013 Legislature appropriated funds on a one-time basis for mental health crisis jail diversion services. However, the department did not implement the appropriation in FY 2014 and is not likely to in FY 2015.

Tobacco Settlement Trust Fund Interest - Fund Balance					
Fund Balance, Revenues, Expenditures	Actual FY 2014	Budget FY 2015*	Executive FY 2016	Request FY 2017	Biennial % of Ttl
Beginning Fund Balance	\$3,696	\$238,085	\$151,851	\$901,382	
Revenues**	<u>5,933,186</u>	<u>6,336,576</u>	<u>6,457,809</u>	<u>6,549,889</u>	
Revenues Available for Appropriation	5,936,882	6,574,661	6,609,660	7,451,271	
<b>Expenditures</b>					
Health Resources Division					
Medicaid Hospital & Clinical Services	1,685,660	1,487,736	1,685,660	1,685,660	29.5%
Medicaid Acute Services	<u>688,436</u>	<u>1,167,787</u>	<u>688,436</u>	<u>688,436</u>	12.1%
Health Resources Division Subtotal	2,374,096	2,655,523	2,374,096	2,374,096	41.6%
Public Health and Safety Division					
Adolescent Vaccinations	400,000	400,000	400,000	400,000	7.0%
Newborn Screenings	241,401	240,235	242,772	242,735	4.3%
Emergency Medical Services	118,778	119,889	118,778	118,778	2.1%
HIV Treatment	83,999	84,000	83,999	83,999	1.5%
MT Health Professional Recruitment	75,000	75,000	78,750	78,750	1.4%
WIC Farmer's Market	8,987	9,000	8,987	8,987	0.2%
PHSD Cost Allocation**	15,761	16,029	16,510	17,005	0.3%
Genetics	<u>39,998</u>	<u>41,176</u>	<u>40,405</u>	<u>40,394</u>	0.7%
Public Health and Safety Division Subtotal	983,924	985,329	990,201	990,648	17.3%
Senior and Long Term Care Division					
Medicaid Nursing Home Services	831,850	831,850	831,850	831,850	14.6%
Traumatic Brain Injury Services	<u>50,000</u>	<u>50,000</u>	<u>49,868</u>	<u>49,864</u>	0.9%
Senior and Long Term Care Div. Subtotal	881,850	881,850	881,718	881,714	15.4%
Developmental Services Division					
Medicaid Children's Mental Health Svcs.	202,259	202,259	202,259	202,259	3.5%
DD Part C, Title XX and MOE	<u>592,794</u>	<u>592,794</u>	<u>592,352</u>	<u>592,374</u>	10.4%
Developmental Division Subtotal	795,053	795,053	794,611	794,633	13.9%
Addictive and Mental Disorders Division					
Mental Health Community Crisis Svcs	616,544	617,102	616,544	616,544	10.8%
MH Crisis Jail Diversion**	-	403,177	-	-	0.0%
Adult Mental Health Medicaid Benefits	28,212	26,853	28,212	28,212	0.5%
Mental Health Administration	<u>49,514</u>	<u>57,923</u>	<u>22,896</u>	<u>22,910</u>	0.4%
Addictive & Mental Disorders Subtotal	694,270	1,105,055	667,652	667,666	11.7%
Total Expenditures	5,729,193	6,422,810	5,708,278	5,708,757	100.0%
Adjustments	30,396	-	-	-	
<b>Ending Fund Balance</b>	<b>\$238,085</b>	<b>\$151,851</b>	<b>\$901,382</b>	<b>\$1,742,514</b>	
*FY 2015 budget represents the estimated expenditures from the November 2015 DPHHS budget status report.					
**90% of the trust interest may be appropriated and 10% is deposited to the trust corpus. Revenues are those adopted by the Interim Revenue and Transportation Oversight Committee.					
***Nonbudgeted expenditures are cost allocated administrative overhead expenses.					
****Mental health crisis jail diversion funds are a biennial appropriation. None of the appropriation was expended in FY 2014 so the entire amount is reflected in FY 2015.					

**LFD  
ISSUE****Offset General Fund or Shortfall in Health and Medicaid Initiatives**

The legislature could use the excess revenue in the tobacco settlement interest income account to offset general fund costs in health programs or it could use the funds to offset part of the shortfall in the health and Medicaid initiatives account.

**Tobacco Settlement Account**

A portion of tobacco settlement revenues is deposited to two accounts for specific uses. The following figure shows the allocations, revenues, expenditures, and ending fund balance from FY 2014 through FY 2017.

Just under one third of tobacco settlement revenues are to be used only for funding statewide programs for tobacco disease prevention designed to prevent children from starting tobacco use and to help adults who want to quit tobacco use.

17% of tobacco settlement revenues are allocated to the Montana Comprehensive Health Association (MCHA) and to CHIP. MCHA was the state’s high risk insurance pool for persons who could not obtain health care insurance largely due to preexisting health conditions. Since the Affordable Care Act requires health insurance carriers to cover a person who wishes to purchase health insurance, the 2013 Legislature required the MCHA board to develop a plan to discontinue the high risk pool. The executive budget includes a reduction in the funding allocated to MCHA in FY 2016 and does not include an appropriation in FY 2017. Despite that reduction, the account is overdrawn by \$0.6 million in FY 2017.

Tobacco Settlement Account - Fund Balance					
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts					
Allocation of Revenue, Expenditures, and Fund Balance	FY 2014	FY 2015	Executive Request FY 2016	Biennial FY 2017	% of Ttl
<b>32% Allocated to Tobacco Cessation/Prevention</b>					
Beginning Fund Balance	\$3,030,402	\$4,275,215	\$3,960,142	\$2,218,993	
Revenues*	<u>10,605,355</u>	<u>9,239,711</u>	<u>9,149,784</u>	<u>9,061,336</u>	
Total Available for Appropriation	13,635,757	13,514,926	13,109,926	11,280,329	
Expenditures					
Public Health and Safety Division					
Tobacco Control & Prevention	4,745,263	4,744,708	5,745,262	5,745,262	52.7%
Chronic Disease Programs	2,845,622	2,974,256	3,305,046	3,304,562	30.3%
Home Health Visiting/MIAMI	404,358	403,971	409,912	409,912	3.8%
Tribal Programs	699,999	700,000	700,000	700,000	6.4%
Direct Administrative Charge	126,871	133,215	120,871	120,871	1.1%
Cost Allocated Administration**	153,856	161,549	169,626	178,108	1.6%
Department of Revenue	311,898	313,110	310,266	310,266	2.8%
Department of Justice	<u>119,688</u>	<u>123,976</u>	<u>129,950</u>	<u>130,227</u>	<u>1.2%</u>
Subtotal Expenditures	9,407,555	9,554,784	10,890,933	10,899,208	100.0%
Adjustments	<u>47,013</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		1.6%	14.0%	0.1%	
Ending Fund Balance	\$4,275,215	\$3,960,142	\$2,218,993	\$381,122	
<b>17% Allocated to HMK/MT Comprehensive Health Association</b>					
Beginning Fund Balance	\$0	\$341,842	\$392,949	(\$131,015)	
Revenues*	<u>5,634,095</u>	<u>4,908,597</u>	<u>4,860,823</u>	<u>4,813,835</u>	
Revenues Available for Appropriation	5,634,095	5,250,439	5,253,772	4,682,820	
Expenditures					
Healthy Montana Kids Benefits	4,160,921	3,928,448	4,640,321	4,920,321	89.7%
Healthy Montana Kids Admin.	89,962	74,449	89,962	89,962	1.7%
MT Comprehensive Health Assoc	813,624	618,696	406,812	0	3.8%
Cost Allocated Administration***	<u>224,664</u>	<u>235,897</u>	<u>247,692</u>	<u>260,077</u>	<u>4.8%</u>
Subtotal Expenditures	5,289,171	4,857,490	5,384,787	5,270,360	100.0%
Adjustments	<u>(3,082)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		-8.2%	10.9%	-2.1%	
Ending Fund Balance****	\$341,842	\$392,949	(\$131,015)	(\$587,540)	
*Estimated revenues are those adopted by the Revenue and Transportation Interim Committee.					
**FY 2015 costs reflect the fiscal impact due to passage and approval of SB 223, which requires development and approval of a plan to terminate MCHA due to changes in the federal Affordable Care Act. The FY 2015 cost is based on the fiscal note estimate for SB 223.					
support shared management and operational costs.					
****There will need to be reductions in appropriation amounts to offset projected shortfalls.					

<b>LFD ISSUE</b>	<p>Reduce Expenditures</p> <p>The legislature may wish to reduce expenditures from the tobacco settlement account allocated to CHIP to bring the account to a positive ending fund balance.</p>
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<b>LFD ISSUE</b>	<p>Certain Funds for Support of State Facilities are Double Appropriated</p> <p>Certain state facility costs have duplicate appropriations in HB 2, essentially doubling the spending authority</p>
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**LFD  
ISSUE, CONT.**

– one from state funds to support the entire operation of the facility and one to recoup allowable federal Medicaid reimbursements as necessary. This practice results in a duplication of HB 2 authority by about \$22.3 million in the 2017 biennium.

*Facility Reimbursement*

The legislature funds the operation of three state facilities almost entirely with general fund: the Montana State Hospital (MSH), the Montana Mental Health Nursing Care Center (MMHNCC), and the Montana Developmental Center (MDC). In addition, the legislature funds a portion of the Montana Veterans’ Home (MVH) operating costs from cigarette tax state special revenue.

However, DPHHS receives reimbursement for facility services from Medicaid, Medicare, private insurance, payments from persons served, counties, and the Indian Health Services. Revenue received for services provided by MSH, MDC, and MMHNCC is applied first to debt service for construction of buildings on the MSH and MDC campuses and the balance is deposited to the general fund. Revenue received for the MVH is deposited to a state special revenue account for operation of the facility.

*Funding for Facility Operating Costs*

The amount of reimbursement received for facility costs varies each year. In order to insure that facilities have adequate funding, the legislature has chosen to appropriate operating costs from state funds rather than funding costs partly from state funds and partly from variable reimbursement income.

Medicaid Reimbursements for State Facility Services		
Division	FY 2016	FY 2017
Developmental Disability Services	\$6,662,730	\$6,662,730
Addictive and Mental Disorders	3,201,546	3,201,546
Senior and Long Term Care	1,294,304	1,294,304
Annual Total	11,158,580	11,158,580
Biennial Total		\$22,317,160

*Medicaid Reimbursement for Facility Services*

HB 2 includes an appropriation so that facilities can claim federal Medicaid reimbursement, which was \$11.2 million in FY 2014. The adjacent table shows the amount of federal authority requested in the executive budget to draw down Medicaid reimbursement.

*Alternative*

The legislature could consider establishing a statutory appropriation for federal authority for Medicaid reimbursement for state facility services instead of appropriating funds in HB 2. Statutory appropriations are suitable if the expenditure is recurring and of a variable level. If the legislature opted to establish a statutory appropriation for facility reimbursement, it would need to pass legislation to amend 17-7-502, MCA. This option could be utilized for all state facilities and it would continue the legislative policy of funding facilities from state funds and depositing reimbursements to the general fund and the MVH state special revenue account.

*Medicaid Expansion*

The Governor is proposing to expand Medicaid as allowed by the Affordable Care Act (ACA). The expansion proposal is embodied in separate legislation – LC 631. DPHHS would contract with a third party administrator to manage Medicaid services for the new enrollees. The third party administrator would:

- Enroll providers
- Establish reimbursement rates
- Pay claims
- Implement programs and protocols to enhance health outcomes and improve economic efficiency

The newly eligible population would be individuals between the ages of 19 to 64 who are not disabled and not pregnant. Medicaid eligibility would not change for children, people over 65, the disabled, or for low income parents with incomes below 47% of the federal poverty level.

<b>LFD COMMENT</b>	<p>Impact of Medicaid Expansion on Present Law Services Costs</p> <p>The funds allocated to tobacco use and prevention are not structurally balanced with the ongoing costs, exceeding annual revenue by about \$1.8 million in FY 2017.</p> <p>If the legislature approves a Medicaid expansion, it would have a cost impact on current DPHHS programs. First, there would be additional cost increases due to enrollment of people who are currently eligible for Medicaid, but not enrolled (the welcome mat or wood work effect). DPHHS has not asked for this change in its current budget request.</p> <p>Second, there would be some savings to programs currently funded solely with state funds and some Medicaid programs that would have a higher federal match rate. For instance, some persons currently receiving state funded adult mental health or chemical dependency services would become Medicaid eligible. Continued services for those individuals would be provided by Medicaid at a lower state cost. In addition, some Medicaid services such as the HIFA/Mental Health Services Plan waiver would be funded at a higher federal match rate.</p>
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*Interim Study Recommendations*

The Children, Families, Health, and Human Services Interim Committee as part of its HJ 16 interim study on state operated facilities proposed several bills that fund mental health services. Each bill draft request and the purpose and the amount of general fund appropriated by the bill are listed in the following table.

Interim Committee on Children, Families, Health, and Human Services - Mental Health Recommendations			
Bill Request	Purpose	FTE	Biennial Funding
LC 342	Community Mental Health Group Homes		\$3,000,000
LC 338	Mental Health Crisis Jail Diversion Grants		2,000,000
LC 339	Secure Psychiatric Detention Beds		1,200,000
LC 334	Mental Health Crisis Diversion - Youth		1,200,000
LC 347	Short-Term Mental Health Treatment		1,000,000
LC 337	5.00 Crisis and Transition FTE	5.00	690,000
<b>Total General Fund Over the Biennium</b>		<b>5.00</b>	<b>\$9,090,000</b>

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	257.33	257.33	246.83	246.83	257.33	246.83	(10.50)	(4.08)%
Personal Services	16,642,612	17,410,008	17,929,223	17,927,876	34,052,620	35,857,099	1,804,479	5.30%
Operating Expenses	28,365,607	38,039,594	31,824,981	31,148,047	66,405,201	62,973,028	(3,432,173)	(5.17)%
Equipment & Intangible Assets	395,167	214,971	395,167	395,167	610,138	790,334	180,196	29.53%
Grants	626,553	584,941	626,553	626,553	1,211,494	1,253,106	41,612	3.43%
Debt Service	3,311	96,942	3,311	3,311	100,253	6,622	(93,631)	(93.39)%
<b>Total Costs</b>	<b>\$46,033,250</b>	<b>\$56,346,456</b>	<b>\$50,779,235</b>	<b>\$50,100,954</b>	<b>\$102,379,706</b>	<b>\$100,880,189</b>	<b>(\$1,499,517)</b>	<b>(1.46)%</b>
General Fund	16,921,304	18,485,590	18,834,914	18,666,566	35,406,894	37,501,480	2,094,586	5.92%
State/Other Special Rev. Funds	2,529,275	2,653,698	2,809,754	2,853,228	5,182,973	5,662,982	480,009	9.26%
Federal Spec. Rev. Funds	26,582,671	35,207,168	29,134,567	28,581,160	61,789,839	57,715,727	(4,074,112)	(6.59)%
<b>Total Funds</b>	<b>\$46,033,250</b>	<b>\$56,346,456</b>	<b>\$50,779,235</b>	<b>\$50,100,954</b>	<b>\$102,379,706</b>	<b>\$100,880,189</b>	<b>(\$1,499,517)</b>	<b>(1.46)%</b>

### Mission Statement

To manage the Operations Branch of the Department by providing, maintaining and supporting systems and processes of the Department in the areas of financial, budget, and technology management; quality assurance; and fair hearings.

### Agency Highlights

The Operations Services Branch shows an overall reduction in expenditures for the 2017 biennium as compared to the 2015 biennium. Detailed information and highlights of the Operations Services Branch can be reviewed by examining each respective program.

### Agency Personal Services

The executive request for personal services is discussed in greater detail each program as part of DP 98. This adjustment shows some of the personal services component parts for a more detailed understanding of the executive request. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

### Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The Operations Services branch 2017 biennium budget request is \$1.5 million lower than the 2015 biennium. However, an increase of \$2.1 million general fund is more than offset by a reduction of \$4.1 million in federal funds. Individual funding changes are discussed in greater detail in each of the following programs.

### Funding

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Operations Services Branch Funding by Source of Authority 2017 Biennium Budget - Operations Services Branch						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	37,501,480	0	0	37,501,480	37.17 %	
State Special Total	5,662,982	0	0	5,662,982	5.61 %	
Federal Special Total	57,715,727	0	0	57,715,727	57.21 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$100,880,189</b>	<b>\$0</b>	<b>\$0</b>	<b>\$100,880,189</b>		
<b>Percent - Total All Sources</b>	<b>100.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>			

The Operations Services branch is funded from a mix of general fund, state special revenue, and federal funds. Each division includes a more detailed description of funding sources.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	18,074,820	18,074,820	36,149,640	96.40 %	52,330,865	52,330,865	104,661,730	103.75 %
PL Adjustments	760,094	591,746	1,351,840	3.60 %	(1,551,630)	(2,229,911)	(3,781,541)	(3.75)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$18,834,914</b>	<b>\$18,666,566</b>	<b>\$37,501,480</b>		<b>\$50,779,235</b>	<b>\$50,100,954</b>	<b>\$100,880,189</b>	

**Language and Statutory Authority -**

The executive request includes the following language: "The Quality Assurance Division is appropriated \$108,286 of state special revenue and \$199,083 of federal special revenue over the biennium to reimburse a recovery audit contractor."

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1,179.47	1,179.47	1,149.25	1,149.25	1,179.47	1,149.25	(30.22)	(2.56)%
Personal Services	65,531,552	68,985,311	70,976,840	70,949,953	134,516,863	141,926,793	7,409,930	5.51 %
Operating Expenses	20,722,657	22,231,747	21,807,884	21,908,766	42,954,404	43,716,650	762,246	1.77 %
Equipment & Intangible Assets	21,456	144,914	121,456	46,456	166,370	167,912	1,542	0.93 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	26,746,239	27,927,656	28,749,065	28,749,065	54,673,895	57,498,130	2,824,235	5.17 %
Benefits & Claims	302,492,619	329,291,306	129,061,384	131,992,206	631,783,925	261,053,590	(370,730,335)	(58.68)%
Transfers	2,524,135	2,587,919	2,524,135	2,524,135	5,112,054	5,048,270	(63,784)	(1.25)%
Debt Service	1,158	1,527	1,158	1,158	2,685	2,316	(369)	(13.74)%
<b>Total Costs</b>	<b>\$418,039,816</b>	<b>\$451,170,380</b>	<b>\$253,241,922</b>	<b>\$256,171,739</b>	<b>\$869,210,196</b>	<b>\$509,413,661</b>	<b>(\$359,796,535)</b>	<b>(41.39)%</b>
General Fund	75,248,669	80,187,551	81,398,731	83,162,583	155,436,220	164,561,314	9,125,094	5.87 %
State/Other Special Rev. Funds	5,639,778	6,904,101	5,812,559	5,815,499	12,543,879	11,628,058	(915,821)	(7.30)%
Federal Spec. Rev. Funds	337,151,369	364,078,728	166,030,632	167,193,657	701,230,097	333,224,289	(368,005,808)	(52.48)%
<b>Total Funds</b>	<b>\$418,039,816</b>	<b>\$451,170,380</b>	<b>\$253,241,922</b>	<b>\$256,171,739</b>	<b>\$869,210,196</b>	<b>\$509,413,661</b>	<b>(\$359,796,535)</b>	<b>(41.39)%</b>

### Mission Statement

The Economic Security Services Branch Mission Statement is to develop an organized approach to family economic security.

### Agency Highlights

The Economic Security branch is 13% of the DPHHS 2017 biennium budget request. The branch budget shows a biennial reduction of \$359.8 million total funds due to the executive proposal to move Supplemental Nutrition Assistance Program (SNAP) benefits from a HB 2 appropriation to a statutory appropriation. This change is also reflected in the reduction in federal funds. General fund increases \$9.1 million over the biennium, due to a higher state match rate for fostercare, subsidized adoption, and childcare benefits and due to caseload changes in these programs. Changes requested by the executive are reviewed in greater detail in each of the division budget discussions.

### Agency Personal Services

The executive request for personal services is discussed in greater detail each program as part of DP 98. This adjustment shows some of the personal services component parts for a more detailed understanding of the executive request. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

### Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The differences between the FY 2015 appropriation as shown in the main table and the FY 2015 legislative appropriation used for purposes of the budget base are discussed in detail in each division within the Medicaid and Health Services

branch. There is also a discussion in each division budget narrative of the differences between the FY 2015 legislative appropriation and FY 2014 expenditures, which were used as the executive base budget.

In general, the FY 2015 appropriation in the main table includes the following adjustments, while the FY 2015 legislative appropriation does not:

- One time appropriations
- Remainder of biennial appropriations
- Reorganizations and transfers of appropriation authority
- Adjustments of authority between appropriations and expenditure categories

The FY 2015 legislative appropriation includes the following adjustments while the FY 2015 appropriation in the main table does not:

- Annualization of pay plan changes for increases in health insurance
- Changes in longevity, workers' compensation costs, and payroll taxes
- Executive implementation of the pay plan
- Funding for positions that were vacant during FY 2014

**Funding**

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Economic Security Services Branch Funding by Source of Authority 2017 Biennium Budget - Economic Security Services Branch						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	164,561,314	0	0	164,561,314	32.29 %	
State Special Total	11,628,058	0	165,544	11,793,602	2.31 %	
Federal Special Total	333,224,289	0	0	333,224,289	65.39 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$509,413,661</b>	<b>\$0</b>	<b>\$165,544</b>	<b>\$509,579,205</b>		
<b>Percent - Total All Sources</b>	<b>99.97 %</b>	<b>0.00 %</b>	<b>0.03 %</b>			

The branch is funded predominantly with federal funds. General fund is about one-third of total funding. Each division includes a more detailed description of funding sources.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	79,942,503	79,942,503	159,885,006	97.16 %	449,114,518	449,114,518	898,229,036	176.33 %
PL Adjustments	(466,846)	925,178	458,332	0.28 %	(18,953,279)	(17,062,408)	(36,015,687)	(7.07)%
New Proposals	1,923,074	2,294,902	4,217,976	2.56 %	(176,919,317)	(175,880,371)	(352,799,688)	(69.26)%
<b>Total Budget</b>	<b>\$81,398,731</b>	<b>\$83,162,583</b>	<b>\$164,561,314</b>		<b>\$253,241,922</b>	<b>\$256,171,739</b>	<b>\$509,413,661</b>	

**Language and Statutory Authority -**

The executive request includes the following language for HB 2:

"The Disability Employment and Transitions Division is appropriated \$775,000 of state special revenue from the Montana Telecommunications Access Program (MTAP) during each year of the 2017 biennium to cover a contingent Federal Communications Corporation mandate, which would require states to provide both video and internet protocol relay services for people with severe hearing, mobility or speech impairments."

"If legislation authorizing a statutory appropriation for Supplemental Nutrition Assistance Program benefits (LC 627) is not passed and approved, the Human and Community Services Division is appropriated \$181,958,071 in federal special revenue each year of the biennium."

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	147.00	147.00	141.97	141.97	147.00	141.97	(5.03)	(3.42)%
Personal Services	8,408,617	9,028,213	9,287,437	9,287,075	17,436,830	18,574,512	1,137,682	6.52 %
Operating Expenses	4,690,936	6,342,327	5,126,197	5,154,298	11,033,263	10,280,495	(752,768)	(6.82)%
Benefits & Claims	14,266,466	13,691,777	14,706,157	14,976,100	27,958,243	29,682,257	1,724,014	6.17 %
Transfers	0	0	0	0	0	0	0	0.00 %
<b>Total Costs</b>	<b>\$27,366,019</b>	<b>\$29,062,317</b>	<b>\$29,119,791</b>	<b>\$29,417,473</b>	<b>\$56,428,336</b>	<b>\$58,537,264</b>	<b>\$2,108,928</b>	<b>3.74 %</b>
General Fund	5,726,929	5,777,130	6,025,069	6,114,777	11,504,059	12,139,846	635,787	5.53 %
State/Other Special Rev. Funds	930,524	1,029,065	956,422	957,837	1,959,589	1,914,259	(45,330)	(2.31)%
Federal Spec. Rev. Funds	20,708,566	22,256,122	22,138,300	22,344,859	42,964,688	44,483,159	1,518,471	3.53 %
<b>Total Funds</b>	<b>\$27,366,019</b>	<b>\$29,062,317</b>	<b>\$29,119,791</b>	<b>\$29,417,473</b>	<b>\$56,428,336</b>	<b>\$58,537,264</b>	<b>\$2,108,928</b>	<b>3.74 %</b>

**Program Description**

The Disability Employment and Transitions Division (DET) is composed of three bureaus: Vocational Rehabilitation/ Blind-Low Vision Field Services, Disability Determination Services, and Program Support.

The goals of DET are to advance the following opportunities for Montanans with disabilities:

- Employment in competitive, integrated settings
- Independence beginning with self-determination, informed choice, and consumer control
- Successful transitions from high school to post-secondary education and/or work

In order to meet these goals, the division provides or contracts for a variety of services. These include counseling and guidance, career training, transportation, adaptive equipment, orientation and mobility services to the blind, vocational rehabilitation training, independent living services, medical services, job placement, and supported employment.

**Program Highlights**

The highlights and discussion will reference changes from the FY 2015 budget as appropriated by the 2013 Legislature rather than from FY 2014 actuals or the FY 2015 appropriation as implemented by the executive. The difference between the legislative appropriation for FY 2015 and the executive implementation is primarily due to a shift of funding for 1.00 FTE from the Public Health and Safety Division into DET.

<b>Disability Employment and Transitions Division Major Budget Highlights</b>
<p>The executive requests increases of \$0.1 million in FY 2016 and \$0.4 million in FY 2017 over the FY 2015 legislative appropriation.</p> <ul style="list-style-type: none"> <li>• Personal services increases of \$0.3 million in each year are attributable to pay plan annualization and various benefit increases</li> <li>• Benefits and claims increases of \$1.0 million and \$1.3 million are due to requested provider rate increases.</li> </ul>

**Program Discussion -**

*Montana Telecommunications Access Program*

The Montana Telecommunications Access Program (MTAP) helps with telecommunication needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled. It is funded solely by state special revenue generated by a fee of 10 cents a month assessed on bills for subscriber connections and/or prepaid wireless telecommunication services.

Handicapped Telecommunications (02159) - Fund Balance						
Revenue, Expenditures, and Fund Balance	Fiscal 2012	Fiscal 2013	Fiscal 2014	Fiscal 2015*	Fiscal 2016*	Fiscal 2017*
Beginning Fund Balance	\$2,747,766	\$1,268,439	\$1,635,167	\$2,118,726	\$2,616,998	\$3,135,699
Revenue	<u>1,325,236</u>	<u>1,317,336</u>	<u>1,430,128</u>	<u>1,430,100</u>	<u>1,430,100</u>	<u>1,430,100</u>
Total Funds Available	4,073,002	2,585,775	3,065,295	3,548,826	4,047,098	4,565,799
Expenditures (Pgm 1)						
Personal Services	215,843	220,532	237,658	223,030	244,218	245,638
Operating Expenses	738,720	730,076	708,911	432,903	667,181	667,218
Transfers Out - HB604	<u>1,850,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	2,804,563	950,608	946,569	931,828	911,399	912,856
Ending Fund Balance	\$1,268,439	\$1,635,167	\$2,118,726	\$2,616,998	\$3,135,699	\$3,652,943
Contingency Appropriation for Relay Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>775,000</u>	<u>775,000</u>
Ending Fund Balance w/ Contingency	\$1,268,439	\$1,635,167	\$2,118,726	\$2,616,998	\$2,360,699	\$2,102,943
*Beginning fund values have been updated to reflect the actual ending balance from FY 2014.						

The above figure shows the actual and projected revenues and expenditures for the program through FY 2015. The contingent funding of \$775,000 per year mentioned earlier would reduce the fund balance only if federal regulations require the state to pay for technologies related to video relay service (VRS) and internet protocol relay (IP). These services facilitate communication between individuals who use sign language and hearing individuals. VRS uses a sign language interpreter and video; IP Relay uses text to voice via an operator.

Contingency Language Request

The executive submits the following request: "The Disability Employment & Transitions Division is appropriated \$775,000 of state special revenue from the Montana Telecommunications Access Program (MTAP) during each year of the 2017 biennium to cover a contingent FCC mandate, which would require states to provide both Video and Internet Protocol relay services for people with severe hearing, mobility or speech impairments."

<b>LFD COMMENT</b>	When the FCC eventually requires that the state take over video and internet protocol relay services, the Handicapped Telecommunications fund will no longer have structural balance. The annual revenue is only enough to cover about half of the relay appropriation in addition to personal services and operating expenses.
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**Funding**

The following table shows proposed program funding by source from all sources of authority.

Economic Security Services Branch, 01-Disability Employment & Transitions Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	12,139,846	0	0	12,139,846	20.74 %	
02159 Handicapped Telecommunications	1,824,078	0	0	1,824,078	95.29 %	
02434 02 Indirect Activity Prog 01	90,181	0	0	90,181	4.71 %	
<b>State Special Total</b>	<b>\$1,914,259</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,914,259</b>	<b>3.27 %</b>	
03024 Soc Sec - Trust Funds	1,890,724	0	0	1,890,724	4.25 %	
03234 Promise Grant	0	0	0	0	0.00 %	
03365 03 Indirect Activity Prog 01	885,494	0	0	885,494	1.99 %	
03554 84.169 - Independent Living 90	440,254	0	0	440,254	0.99 %	
03555 84.177 - Indep Living Old BLIN	399,879	0	0	399,879	0.90 %	
03557 84.187 - Vic Sup Employment	728,988	0	0	728,988	1.64 %	
03558 84.224 - Mon Tech 100%	852,019	0	0	852,019	1.92 %	
03559 84.265 - In Service Training 9	28,818	0	0	28,818	0.06 %	
03588 93.802 - Disabil Deter Adm 100	11,456,095	0	0	11,456,095	25.75 %	
03604 84.126 - Rehab-Sec110 A 78.7%	27,800,888	0	0	27,800,888	62.50 %	
<b>Federal Special Total</b>	<b>\$44,483,159</b>	<b>\$0</b>	<b>\$0</b>	<b>\$44,483,159</b>	<b>75.99 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$58,537,264</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,537,264</b>		

DET is funded with a variety of sources and both sources and federal matching rates vary by function. General fund comprises 19.9% of the budget, with most used to match federal funds. Some activities are supported entirely by the general fund, including the extended employment program, visual services medical support, and the Montana Youth Leadership Forum. General fund also supports benefits, grants, and functions serving individuals wishing to live independently, obtain and maintain a job, and acquire necessary assistive technology.

State special revenue makes up about 5.9% of the budget and fully supports the MTAP program. MTAP revenue is raised by a fee of 10 cents per month assessed on subscriber connections and prepaid wireless telecommunication services per [53-19-311, MCA](#).

Federal funds comprise over 74.2% of the budget. The disability determination function, the Montech assistive technology program, and supported employment are entirely federally funded. The remaining federally funded programs require state matching funds.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	5,767,310	5,767,310	11,534,620	95.01 %	29,007,759	29,007,759	58,015,518	99.11 %
PL Adjustments	170,159	170,514	340,673	2.81 %	(152,617)	(124,878)	(277,495)	(0.47)%
New Proposals	87,600	176,953	264,553	2.18 %	264,649	534,592	799,241	1.37 %
<b>Total Budget</b>	<b>\$6,025,069</b>	<b>\$6,114,777</b>	<b>\$12,139,846</b>		<b>\$29,119,791</b>	<b>\$29,417,473</b>	<b>\$58,537,264</b>	

**Present Law Adjustments -**

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	99,040	21,703	193,039	313,782	0.00	99,061	23,093	191,266	313,420
DP 99 - LEG. Present Law	0.00	71,119	(82,889)	(454,629)	(466,399)	0.00	71,453	(82,864)	(426,887)	(438,298)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$170,159</b>	<b>(\$61,186)</b>	<b>(\$261,590)</b>	<b>(\$152,617)</b>	<b>0.00</b>	<b>\$170,514</b>	<b>(\$59,771)</b>	<b>(\$235,621)</b>	<b>(\$124,878)</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive; this includes statewide present law personal services adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2. Included below is a table that has the personal services present law (PSPL) broken out by some of its component parts for a more detailed understanding of the adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	141.97	\$10,231	\$2,030	\$56,736	\$68,997
Executive Implementation of 2015 Pay Increase	0.00	23,331	4,799	126,964	\$155,094
Fully Fund 2015 Legislatively Authorized FTE	0.00	3,341	1,665	34,513	\$39,519
Other	0.00	62,137	13,209	(25,174)	\$50,172
<b>Personal Services Present Law Adjustments</b>	<b>141.97</b>	<b>\$99,040</b>	<b>\$21,703</b>	<b>\$193,039</b>	<b>\$313,782</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	141.97	10,231	2,030	56,736	\$68,997
Executive Implementation of 2015 Pay Increase	0.00	23,331	4,799	126,964	155,094
Fully Fund 2015 Legislatively Authorized FTE	0.00	3,341	1,665	34,513	39,519
Other	0.00	62,158	14,599	(26,947)	49,810
<b>Personal Services Present Law Adjustments</b>	<b>141.97</b>	<b>\$99,061</b>	<b>\$23,093</b>	<b>\$191,266</b>	<b>\$313,420</b>

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs. In addition to the statewide adjustments, the executive requests additional present law adjustments related to maintenance of existing services. These services include assessment and referral for the Disability Determination Services program, annualization of relay service contract rates for the Montana Telecommunication Access Program (MTAP), maintenance and support for the client case management system for the Vocational Rehabilitation program, and annualization of provider rate increases.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101009 - PRI - Vocation Rehabilitation	0.00	47,918	0	177,049	224,967	0.00	96,795	0	357,639	454,434
DP 101010 - PRI - Extended Employment	0.00	26,048	0	0	26,048	0.00	52,617	0	0	52,617
DP 101011 - PRI - Independent Living	0.00	13,634	0	0	13,634	0.00	27,541	0	0	27,541
<b>Total</b>	<b>0.00</b>	<b>\$87,600</b>	<b>\$0</b>	<b>\$177,049</b>	<b>\$264,649</b>	<b>0.00</b>	<b>\$176,953</b>	<b>\$0</b>	<b>\$357,639</b>	<b>\$534,592</b>

DP 101011 - PRI - Independent Living -

The executive requests a 2.0% provider rate increase in each year of the biennium for Independent Living providers.

DP 101010 - PRI - Extended Employment -

The executive requests a 2.0% provider rate increase in each year of the biennium for Extended Employment providers.

DP 101009 - PRI - Vocation Rehabilitation -

The executive requests a 2.0% provider rate increase in each year of the biennium for Vocational Rehabilitation providers.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	501.32	501.32	496.32	496.32	501.32	496.32	(5.00)	(1.00)%
Personal Services	26,414,388	27,777,775	28,817,101	28,809,873	54,192,163	57,626,974	3,434,811	6.34 %
Operating Expenses	8,518,672	8,241,535	9,101,910	9,131,899	16,760,207	18,233,809	1,473,602	8.79 %
Equipment & Intangible Assets	0	90,000	100,000	25,000	90,000	125,000	35,000	38.89 %
Capital Outlay	0	0	0	0	0	0	0	0.00 %
Grants	19,932,959	21,146,654	21,935,785	21,935,785	41,079,613	43,871,570	2,791,957	6.80 %
Benefits & Claims	255,836,642	281,277,033	78,286,148	78,936,598	537,113,675	157,222,746	(379,890,929)	(70.73)%
Transfers	2,286,044	2,587,919	2,286,044	2,286,044	4,873,963	4,572,088	(301,875)	(6.19)%
<b>Total Costs</b>	<b>\$312,988,705</b>	<b>\$341,120,916</b>	<b>\$140,526,988</b>	<b>\$141,125,199</b>	<b>\$654,109,621</b>	<b>\$281,652,187</b>	<b>(\$372,457,434)</b>	<b>(56.94)%</b>
General Fund	30,266,181	34,450,545	32,491,704	32,499,872	64,716,726	64,991,576	274,850	0.42 %
State/Other Special Rev. Funds	2,425,380	2,959,004	2,553,304	2,555,082	5,384,384	5,108,386	(275,998)	(5.13)%
Federal Spec. Rev. Funds	280,297,144	303,711,367	105,481,980	106,070,245	584,008,511	211,552,225	(372,456,286)	(63.78)%
<b>Total Funds</b>	<b>\$312,988,705</b>	<b>\$341,120,916</b>	<b>\$140,526,988</b>	<b>\$141,125,199</b>	<b>\$654,109,621</b>	<b>\$281,652,187</b>	<b>(\$372,457,434)</b>	<b>(56.94)%</b>

### Program Description

The Human and Community Services Division (HCSD) contains five bureaus: 1) Public assistance policy and systems; 2) Public assistance field services; 3) Early childhood services; 4) Intergovernmental human services (IHSB); and 5) Fiscal.

HCSD's purpose is to support and strengthen families and communities by promoting employment and providing those in need with assistance to meet their basic needs and move out of poverty. The division administers or contracts for a variety of services including, but not limited to, the following: cash assistance, employment training, supplemental nutrition assistance (formerly food stamps), Medicaid, child care, meal reimbursement, nutrition training, energy assistance, and weatherization. Further detail on these programs can be found on the division's website: <http://www.dphhs.mt.gov/hcsd/index.shtml>.

### Program Highlights

The highlights and discussion will reference changes from the FY 2015 budget as appropriated by the 2013 Legislature rather than from FY 2014 actuals or the FY 2015 appropriation as implemented by the executive. The FY 2015 legislative base is slightly higher than the executive implementation due primarily to a transfer of 1.00 FTE and associated authority for the Tribal Relations position from HCSD to the Director's Office.

**Human and Community Services Division  
Major Budget Highlights**

- Major decreases to the budget are primarily in federal fund reductions for:
  - Reclassification of \$363.9 million in the Supplemental Nutrition Assistance Program (SNAP) from HB 2 to a statutory appropriation
  - Decreases of \$20.7 million and \$20.0 million in benefits due to decreased caseloads in FY 2014 in TANF, child care, and weatherization from the level anticipated by the legislature that are continuing in the 2017 biennium
- New proposals, aside from the SNAP reclassification, total \$6.6 million, which includes funding to:
  - Increase the TANF payment standard to 35% of the current federal poverty level (FPL)
  - Continue funding for the Child Care Best Beginnings STARS to Quality Program
  - Transition of 8.00 FTE approved by the executive in the interim from modified to permanent

**Program Discussion -**

The various programs administered by HCSD can be broken into three categories.

- Public Assistance
- Early Childhood Services
- Intergovernmental Human Services (Energy, Weatherization, and Commodities)

The Public Assistance Field Services Bureau provides eligibility services for and the Public Assistance Policy and Systems Bureau administers:

- Temporary Assistance to Needy Families (TANF)
- Refugee Assistance
- Supplemental Nutrition Assistance Program (SNAP)
- Medicaid coverage including Healthy Montana Kids (HMK)

The Early Childhood Services Bureau:

- Manages child care funds for TANF participants, working caretaker relatives, and low-income working families
- Contracts with resource and referral agencies to administer child care eligibility, recruit providers, and provide technical assistance
- Administers the Child and Adult Care Food Program, which provides reimbursement to child care providers for the cost of meals served to eligible children and adults
- Administers the Head Start State Collaboration grant
- Administers the Early Childhood Comprehensive Systems Grant
- Manages the funds that pay for quality child care initiatives including professional development

The Intergovernmental Human Services Bureau is responsible for:

- The Community Services block grant, which is used by 10 Human Resource Development Councils to provide a wide range of community-based human services
- The Low-Income Energy Assistance Program
- Weatherization programs
- The Emergency Solutions Grants program
- The Housing Opportunities for Persons with AIDS grants

- Three USDA commodities programs
- Storage and distribution of USDA commodity foods to elderly feeding sites, and USDA commodity foods for school lunch programs

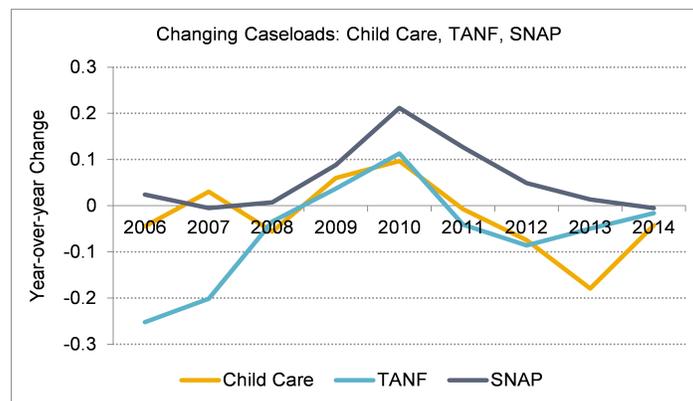
*Major Budgetary Changes*

The most significant change in the budget is the reduction in federal fund benefits. This reduction is almost entirely due to the executive’s recommendation to move SNAP federal funding from HB 2 to a statutory appropriation, which results in a \$363.9 million decrease over the biennium.

Other benefits funding sees a large decrease in the budget request. In FY 2014, division spending was nearly \$25.0 million below the level anticipated. Most of the unused authority was transferred from this division to various Medicaid programs to cover anticipated shortfalls. These transfers of authority are discussed in the agency summary. As a result, benefit funding in FY 2016 is \$20.7 million and in FY 2017 is \$20.0 million below the FY 2015 appropriation, disregarding SNAP. The 2017 biennium benefits request for HB 2 both as requested by the executive and including SNAP benefits funding can be seen in the table below.

Comparison of Human & Community Services HB 2 Benefits Request (\$ Millions)					
Budget Item	2015	2016	% Change	2017	% Change
Benefits & Claims Inc. SNAP	\$281.3	\$260.2	-7.5%	\$260.9	-7.2%
Benefits & Claims Exc. SNAP	90.3	78.3	-13.3%	78.9	-12.6%

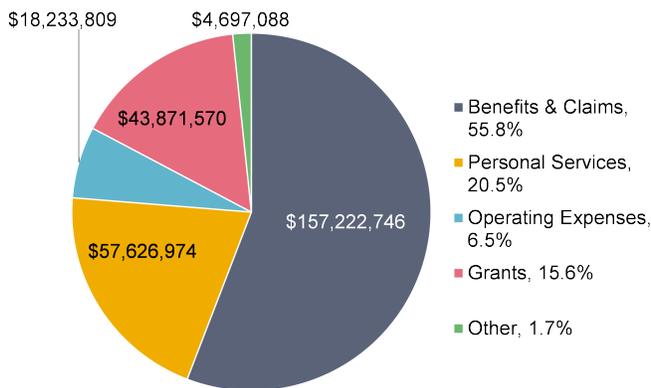
This reduction was due in large part to decreased caseloads in TANF, SNAP, and child care. The following chart shows the change in average monthly caseload from year to year for each of these three programs. Child care and TANF caseloads have been shrinking since 2011, and SNAP began to decline from FY 2013 to FY 2014.



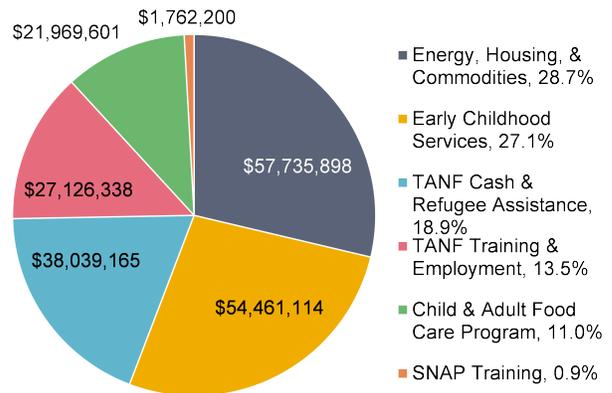
*Primary Expenditures*

Benefits and grants combine to make up 71.3% of the executive’s proposed budget for HCSD as seen in the figure on the left. These funds support TANF - both cash and non-cash assistance, early childhood services such as child care and education, energy and weatherization, the child and adult care food program, SNAP training, and refugee assistance. The breakdown of the benefit and grant funding can be seen in the figure on the right. Note that these figures do not include general SNAP benefits, which the executive recommends for statutory appropriation.

Executive Budget by Category



Benefits and Grants Budget -- Detail



Personal services is the secondary driver in HCSD expenditures at 20.5% of the requested budget. The increase in personal services over the FY 2015 legislative appropriation is just under \$1.3 million in each year of the 2017 biennium. The majority of this increase is due to adjustments for items like annualization of the 2015 biennium pay plan, with just under \$160,000 in each year allocated to a request to transition 8.00 modified FTE to permanent positions.

Most of the FTE in HCSD work in the offices of public assistance (OPAs) throughout the state, completing eligibility determination and working directly with recipients of assistance.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Economic Security Services Branch, 02-Human and Community Services						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	64,991,576	0	0	64,991,576	23.08 %	
02375 6901-02 Indrct Actvty Prog 02	2,833,577	0	0	2,833,577	55.47 %	
02515 School Lunch OPI/Warehouse	0	0	0	0	0.00 %	
02688 6901-TANF Overpayments	130,000	0	0	130,000	2.54 %	
02698 69010-Prevention&Stabilization	1,665,164	0	0	1,665,164	32.60 %	
02772 Tobacco Hlth & Medicd Initiative	67,634	0	0	67,634	1.32 %	
02974 UNIV LOW INCOME ENERGY ASSISTANCE	412,011	0	0	412,011	8.07 %	
<b>State Special Total</b>	<b>\$5,108,386</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,108,386</b>	<b>1.81 %</b>	
03066 81.042 BPA	958,881	0	0	958,881	0.45 %	
03096 Discretionary Child Care	21,122,460	0	0	21,122,460	9.98 %	
03109 TANF Benefits	47,822,538	0	0	47,822,538	22.61 %	
03135 HOPWA HELP Plus	960,000	0	0	960,000	0.45 %	
03168 CACFP Child Care Wellness	0	0	0	0	0.00 %	
03181 PARIS STATE PARTNERSHIP GRANT	0	0	0	0	0.00 %	
03236 Child Nutrition	21,463,867	0	0	21,463,867	10.15 %	
03250 Child Care Manditory/MOE	3,597,650	0	0	3,597,650	1.70 %	
03251 Child Care Admin	892,924	0	0	892,924	0.42 %	
03252 Child Care Matching	11,040,374	0	0	11,040,374	5.22 %	
03299 Support Pregnant & Parent Teen	0	0	0	0	0.00 %	
03382 03 Indirect Activity Prog 02	35,188,951	0	0	35,188,951	16.63 %	
03448 6901-Early Childhood Comp Sys	67,959	0	0	67,959	0.03 %	
03467 6901-Homeless Mgmt Info Systm	154,350	0	0	154,350	0.07 %	
03513 CHIPRA Bonus	0	0	0	0	0.00 %	
03519 93.045 - Aging Meals 100%	100,685	0	0	100,685	0.05 %	
03523 93.566 - Refugee Soc. Serv	61,112	0	0	61,112	0.03 %	
03530 6901-Foster Care 93.658	1,287,666	0	0	1,287,666	0.61 %	
03539 93.600 Headstart	85,186	0	0	85,186	0.04 %	
03544 10.561 - FS E & T - 50%	413,956	0	0	413,956	0.20 %	
03545 10.561 - FS E & T - 100%	458,280	0	0	458,280	0.22 %	
03546 10.561 - FS Adm - Fed Exp 50%	1,783,654	0	0	1,783,654	0.84 %	
03547 10.568 - Emerg Food Assist 100	361,290	0	0	361,290	0.17 %	
03548 10.569 - Food Distr - Fed Exp	4,746,016	0	0	4,746,016	2.24 %	
03550 14.231 - Emerg Shelter - HUD 5	1,376,628	0	0	1,376,628	0.65 %	
03552 81.042 - Weather Ben 100%	4,208,915	0	0	4,208,915	1.99 %	
03571 93.566 - Off Ref Reset Adm 10	118,888	0	0	118,888	0.06 %	
03572 93.568 - LIEAP Blk Grt Adm	42,110,834	0	0	42,110,834	19.91 %	
03573 93.569 - CSBG Adm	6,240,964	0	0	6,240,964	2.95 %	
03580 6901-93.778 - Med Adm 50%	1,122,676	0	0	1,122,676	0.53 %	
03677 6901-CACFP 10.558 & 10.560	1,584,653	0	0	1,584,653	0.75 %	
03678 6901-Food Stamp Benefits	0	0	0	0	0.00 %	
03679 6901-HOPWA CFDA#14-241	964,578	0	0	964,578	0.46 %	
03825 Department of Energy WTC	0	0	0	0	0.00 %	
03826 Healthy Montana Teen Parents 2	22,497	0	0	22,497	0.01 %	
03901 Head Start St Advs Council ARRA	0	0	0	0	0.00 %	
03965 CSFP	1,233,793	0	0	1,233,793	0.58 %	
<b>Federal Special Total</b>	<b>\$211,552,225</b>	<b>\$0</b>	<b>\$0</b>	<b>\$211,552,225</b>	<b>75.11 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$281,652,187</b>	<b>\$0</b>	<b>\$0</b>	<b>\$281,652,187</b>		

The majority of the HB 2 budget for HCSD as requested by the governor comes from federal funding at 75.1% of total funding. Federal funds are used for the direct provision of benefits and/or the programs supporting benefit recipients. General fund makes up 23.4% of the funding with the remainder covered by state special revenue funds. State funds primarily cover personal services and maintenance of effort (MOE) requirements for receipt of some federal funding sources.

#### *The TANF Block Grant*

Aside from general fund, the largest single funding source in the HCSD HB 2 request is the TANF block grant. This funding comes in as a capped grant of around \$38 million per year; it has an associated MOE requirement, which is around \$13.1

million per year for Montana. High level revenue and expenditures for the block grant can be seen in the table below. The FY 2014 ending fund balance is \$40.4 million and assuming continuation of the block grant and the requested expenditures including the 2015 legislative appropriation, the projected ending fund balance at the close of the 2017 biennium would be \$31.3 million.

TANF Block Grant by Fiscal Year						
(\$ Millions)						
	SFY 2012	SFY 2013	SFY 2014	SFY 2015*	SFY 2016*	SFY 2017*
Carryover from Prior Year	\$45.0	\$42.4	\$39.3	\$40.4	\$33.4	\$32.6
Current Grant Amount	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>	<u>38.0</u>
Total Funds Available	83.1	80.5	77.4	78.4	71.5	70.6
Expenditures	29.5	29.7	26.7	34.8	29.9	30.3
Transfers	<u>11.2</u>	<u>11.4</u>	<u>10.3</u>	<u>10.3</u>	<u>9.0</u>	<u>9.0</u>
Total Funds Expended	40.7	41.1	37.0	45.0	38.9	39.3
Carryover to Next Year	\$42.4	\$39.3	\$40.4	\$33.4	\$32.6	\$31.3

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	34,364,835	34,364,835	68,729,670	105.75 %	339,575,661	339,575,661	679,151,322	241.13 %
PL Adjustments	(3,232,434)	(3,223,911)	(6,456,345)	(9.93)%	(21,280,325)	(21,060,024)	(42,340,349)	(15.03)%
New Proposals	1,359,303	1,358,948	2,718,251	4.18 %	(177,768,348)	(177,390,438)	(355,158,786)	(126.10)%
<b>Total Budget</b>	<b>\$32,491,704</b>	<b>\$32,499,872</b>	<b>\$64,991,576</b>		<b>\$140,526,988</b>	<b>\$141,125,199</b>	<b>\$281,652,187</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(1,178,421)	(9,587)	2,040,825	852,817	0.00	(1,177,306)	(8,765)	2,032,625	846,554
DP 99 - LEG. Present Law	0.00	(2,054,013)	(406,020)	(19,673,109)	(22,133,142)	0.00	(2,046,605)	(405,019)	(19,454,954)	(21,906,578)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$3,232,434)</b>	<b>(\$415,607)</b>	<b>(\$17,632,284)</b>	<b>(\$21,280,325)</b>	<b>0.00</b>	<b>(\$3,223,911)</b>	<b>(\$413,784)</b>	<b>(\$17,422,329)</b>	<b>(\$21,060,024)</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive; this includes statewide present law personal services adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2. Included below is a table that has the personal services present law (PSPL) broken out by some of its component parts for a more detailed understanding of the adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	488.32	\$82,484	\$10,224	\$144,616	\$237,324
Exec. Implementation of 2015 Pay Increase	0.00	159,373	19,503	284,937	\$463,813
Fully Fund 2015 Legislatively Authorized FTE	0.00	28,339	8,298	71,609	\$108,246
Other	0.00	14,514	1,542	27,378	\$43,434
<b>Personal Services Present Law Adjustments</b>	<b>488.32</b>	<b>\$284,710</b>	<b>\$39,566</b>	<b>\$528,540</b>	<b>\$852,817</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	488.32	82,484	10,224	144,616	237,324
Exec. Implementation of 2015 Pay Increase	0.00	159,373	19,504	284,936	463,813
Fully Fund 2015 Legislatively Authorized FTE	0.00	28,339	8,298	71,609	108,246
Other	0.00	10,794.11	1,711.03	24,666.34	37,171
<b>Personal Services Present Law Adjustments</b>	<b>488.32</b>	<b>\$280,990</b>	<b>\$39,736</b>	<b>\$525,828</b>	<b>846,554</b>

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs. In addition to the statewide adjustments, the executive requests adjustments related to maintenance of existing services. Some of these changes are broken out below. The "Other" category includes lease adjustments for the Offices of Public Assistance (OPA), authority for the displacement and resettlement program to spend its full federal grant amount, and decreases due to declining caseloads as discussed under "Major Budgetary Changes" above.

Present Law Adjustments					
FY 2016					
CP 99 PL Item	FTE	General Fund	State Special	Federal Special	Total Funds
TANF Authority to Grant Level	0.00	\$0	\$0	\$1,503,367	\$1,503,367
Other	0.00	(2,054,013)	(406,020)	(21,176,476)	(23,636,509)
<b>Present Law Adjustments</b>	<b>0.00</b>	<b>(\$2,054,013)</b>	<b>(\$406,020)</b>	<b>(\$19,673,109)</b>	<b>(\$22,133,142)</b>
FY 2017					
CP 99 PL Item	FTE	General Fund	State Special	Federal Special	Total Funds
TANF Authority to Grant Level	0.00	\$0	\$0	\$1,503,367	\$1,503,367
Other	0.00	(2,046,605)	(405,019)	(20,958,321)	(23,409,945)
<b>Present Law Adjustments</b>	<b>0.00</b>	<b>(\$2,046,605)</b>	<b>(\$405,019)</b>	<b>(\$19,454,954)</b>	<b>(\$21,906,578)</b>

TANF Authority to Grant Level – The executive requests additional federal TANF funding to bring TANF non-cash assistance authority up to the amount of the grant.

**LFD COMMENT** This request encompasses grants for Family Economic Security, child care for working caretaker relatives, TANF MOST after school program, adult basic education, and others.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202104 - SNAP Benefits Statutory Appropriation	0.00	0	0	(181,958,071)	(181,958,071)	0.00	0	0	(181,958,071)	(181,958,071)
DP 202106 - TANF FPL/Benefits Update	0.00	0	0	2,558,350	2,558,350	0.00	0	0	2,937,225	2,937,225
DP 202217 - Child Care STARS to Quality - OTO	0.00	1,200,000	0	0	1,200,000	0.00	1,200,000	0	0	1,200,000
DP 202219 - OPA Operations	8.00	159,303	20,252	251,818	431,373	8.00	158,948	20,207	251,253	430,408
<b>Total</b>	<b>8.00</b>	<b>\$1,359,303</b>	<b>\$20,252</b>	<b>(\$179,147,903)</b>	<b>(\$177,768,348)</b>	<b>8.00</b>	<b>\$1,358,948</b>	<b>\$20,207</b>	<b>(\$178,769,593)</b>	<b>(\$177,390,438)</b>

DP 202106 - TANF FPL/Benefits Update -

The executive requests additional federal TANF funding to support increases in benefits associated with an increase of the payment standard to 35% of the 2015 Federal Poverty Level (FPL) in FY 2016 and 35% of the 2016 FPL in FY 2017. TANF benefits are currently paid at 33% of the 2011 FPL.

**LFD COMMENT** Calculations for this request are based on the average number of families per month in FY 2014. The increase is larger for FY 2015 as the proposed FPL will be moving ahead 4 years, whereas it will only move forward 1 year from FY 2015 to FY 2016.

DP 202219 - OPA Operations -

The executive requests funding to transition 8.00 modified FTE approved by the Governor's Office of Budget and Program Planning (OBPP) for the 2015 biennium to permanent FTE. These positions are currently full and are supporting implementation of the Patient Protection and Affordable Care Act (ACA).

**LFD COMMENT** During FY 2014, HCSD had an FTE usage rate of 96.51%, which is slightly above the 96.0% funded by the 2013 Legislature. This rate does not include the 8.00 modified FTE mentioned in the decision point above and indicates that there is not funding for these positions within that allowed by the boilerplate language in HB 2.

DP 202217 - Child Care STARS to Quality - OTO -

The executive requests continuation of the OTO funding from the 2015 biennium for the Best Beginnings STARS to Quality program.

**LFD  
COMMENT**

The legislature approved funding for the Best Beginnings STARS to Quality program in the 2015 biennium using CHIPRA bonus funds. The funds were restricted and HB 2 included language establishing an order of priority in the event that those funds were insufficient to fund everything for which they were appropriated.

The goals of this STARS to Quality are to improve social and emotional development and school readiness for all children. This is a voluntary quality rating improvement system that provides support and incentives to early childhood programs and early childhood professionals for working toward and meeting various quality criteria. Montana is one of 49 states that is either operating, piloting, or developing a Quality Rating Improvement System. Childcare centers achieve more “stars” in the program by moving up through or maintaining at a high level on nationally recognized rating scales as assessed by a third party. Details regarding this program can be found at <http://www.dphhs.mt.gov/hcsd/ChildCare/STARS.aspx>.

DP 202104 - SNAP Benefits Statutory Appropriation -

The executive recommends legislation to remove federal SNAP benefit funding from HB 2 and establish it as a statutory appropriation due to the pass-through and unpredictable nature of federal Supplemental Nutrition Assistance Program (SNAP) benefits. If the proposed legislation is not approved, federal SNAP authority would need to be increased by \$181,958,071 in HB 2 each year of the 2015 biennium.

The executive requests a language appropriation: “If legislation authorizing a statutory appropriation for SNAP benefits (LC 627) is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$181,958,071 federal funds each year.”

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	367.40	367.40	353.65	353.65	367.40	353.65	(13.75)	(3.74)%
Personal Services	20,934,776	21,797,260	22,179,809	22,165,518	42,732,036	44,345,327	1,613,291	3.78 %
Operating Expenses	5,279,480	5,626,100	5,346,338	5,389,153	10,905,580	10,735,491	(170,089)	(1.56)%
Equipment & Intangible Assets	0	32,220	0	0	32,220	0	(32,220)	(100.00)%
Grants	6,813,280	6,781,002	6,813,280	6,813,280	13,594,282	13,626,560	32,278	0.24 %
Benefits & Claims	32,389,511	34,322,496	36,069,079	38,079,508	66,712,007	74,148,587	7,436,580	11.15 %
Transfers	238,091	0	238,091	238,091	238,091	476,182	238,091	100.00 %
Debt Service	1,158	1,527	1,158	1,158	2,685	2,316	(369)	(13.74)%
<b>Total Costs</b>	<b>\$65,656,296</b>	<b>\$68,560,605</b>	<b>\$70,647,755</b>	<b>\$72,686,708</b>	<b>\$134,216,901</b>	<b>\$143,334,463</b>	<b>\$9,117,562</b>	<b>6.79 %</b>
General Fund	35,852,945	36,898,108	39,186,187	40,853,799	72,751,053	80,039,986	7,288,933	10.02 %
State/Other Special Rev. Funds	1,898,011	2,037,584	1,897,708	1,897,708	3,935,595	3,795,416	(140,179)	(3.56)%
Federal Spec. Rev. Funds	27,905,340	29,624,913	29,563,860	29,935,201	57,530,253	59,499,061	1,968,808	3.42 %
<b>Total Funds</b>	<b>\$65,656,296</b>	<b>\$68,560,605</b>	<b>\$70,647,755</b>	<b>\$72,686,708</b>	<b>\$134,216,901</b>	<b>\$143,334,463</b>	<b>\$9,117,562</b>	<b>6.79 %</b>

**Program Description**

The purpose of the Child and Family Services Division (CFSD) is to keep children safe and families strong. In pursuit of this goal, the division administers child protective services, child abuse and neglect services, family reunification and preservation services, and domestic violence programs, among others.

CFSD comprises three bureaus and five administrative regions that are advised by local family services advisory councils. The five regions are delineated as seen on the map to the right as: (1) Eastern, (2) North Central, (3) South Central, (4) South Western, and (5) Western. Additionally, there is a sixth "interstate" region.



**Program Highlights**

The highlights and discussion will reference changes from the FY 15 budget as appropriated by the 2013 Legislature rather than from FY 14 actuals or the FY 2015 appropriation as implemented by the executive.

The difference between the legislative appropriation for FY 2015 and the executive implementation is primarily because the administration of the Children's Trust Fund was shifted from Child and Family Services to the Director's Office (program 4).

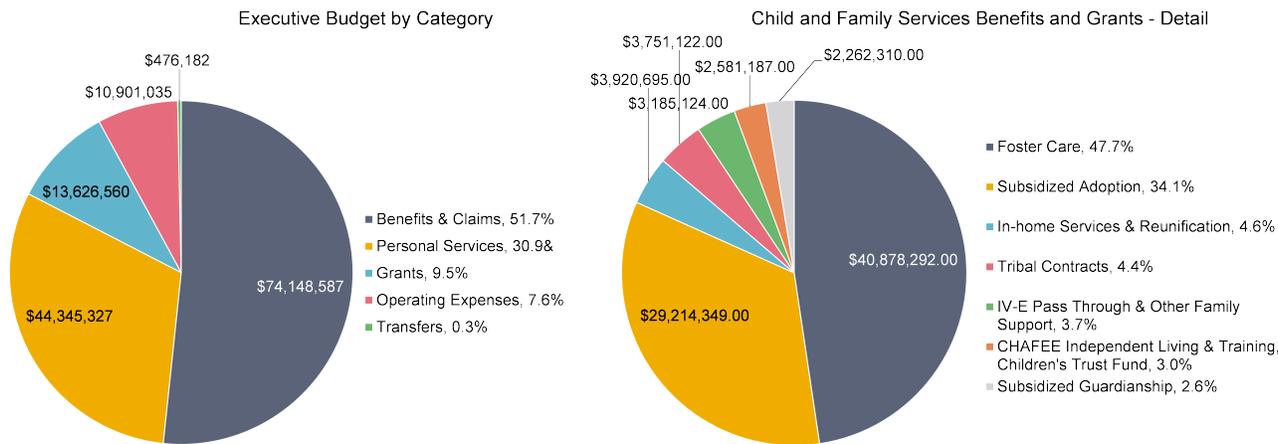
**Child and Family Services Division  
Major Budget Highlights**

- Major increases to the budget are primarily general fund for:
  - Personal services of \$1.8 million above the FY 2015 level over the biennium due primarily to pay plan annualization
  - Anticipated foster care caseload increases of \$4.7 million
  - Provider rate increases of 2.0% in each year of the biennium, totaling \$0.8 million

**Program Discussion -**

*Primary Expenditures*

Benefits and grants compose 61.2% of the executive's proposed budget for CFSD as seen in the figure on the left. These funds support foster care, subsidized adoption, subsidized guardianship, and a number of other programs promoting children's safety and family unity. The breakdown of benefit and grant funding can be seen in the figure on the right.



Personal services and operations costs support the field staff in five regional offices, centralized intake (all general fund), and administration. These functions account for 38.5% of the executive budget. Increases in personal services are related to adjustments such as pay plan annualization.

*Caseload*

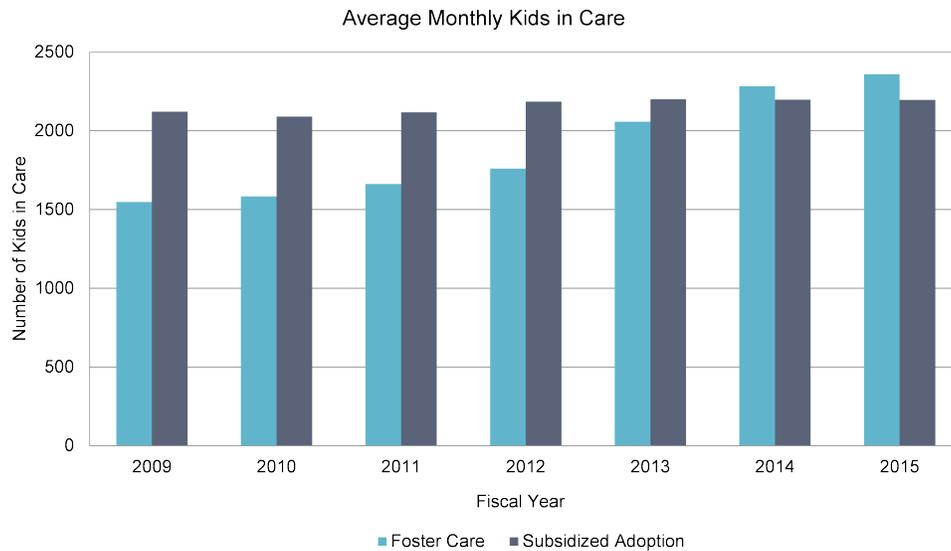
The following discussion details the Governor's budget recommendations for increases to benefits for foster care, subsidized adoption, subsidized guardianship, and other social assistance programs. The table below includes requested changes to the budget in both present law and new proposals. Note that the Federal Medical Assistance Percentage (FMAP) adjustments are not increased expenditures, but a funding switch from federal to state funds.

Benefits Requests						
Budget Item	GF Increase Fiscal 2016	All Funds Increase Fiscal 2016	Total Request Fiscal 2016	GF Increase Fiscal 2017	All Funds Increase Fiscal 2017	Total Request Fiscal 2017
Present Law Adjustments						
Foster Care Caseload	\$1,907,487	\$2,698,330	\$19,828,524	\$2,776,865	\$3,919,574	\$21,049,768
Foster Care FMAP	54,632	-	-	76,009	-	-
Sub. Adoption Caseload	(258,812)	(538,839)	14,328,285	9,175	18,940	14,886,064
Sub. Adoption FMAP	99,733	-	-	138,760	-	-
Guardianship Caseload	114,097	224,513	1,131,155	114,670	224,513	1,131,155
Guardianship FMAP	8,187	-	-	11,486	-	-
New Proposals						
Tribal Foster Care	200,000	200,000	200,000	200,000	200,000	200,000
Foster Care PRI	207,469	273,632	273,632	420,376	552,736	552,736
Sub. Adoption PRI	25,847	55,689	55,689	52,792	112,492	112,492
Guardianship PRI	3,568	6,202	6,202	7,258	12,528	12,528
In Home Services PRI	33,768	33,768	33,768	67,537	67,537	67,537
Independent Living PRI	2,393	11,965	11,965	4,786	23,930	23,930
Access and Visitation PRI	2,126	2,126	2,126	4,252	4,252	4,252
Big Brothers/Big Sisters PRI	1,000	1,000	1,000	2,000	2,000	2,000
<b>Total</b>	<b>\$2,332,793</b>	<b>\$2,857,636</b>	<b>\$35,761,596</b>	<b>\$3,747,342</b>	<b>\$4,915,763</b>	<b>\$37,819,723</b>

In FY 2014 caseload in foster care grew more quickly than expected while caseload in subsidized adoption grew more slowly than expected. While this was not in line with what was anticipated and appropriated in the 2013 session, the appropriation between the two programs was shifted during the interim to cover the necessary benefits. At this time, the executive expects that the current growth rates will continue and it is likely that a similar shift in funding between the two programs will be made in FY 2015.

The benefits requests reflect the continuation of these rates of growth: decreased initial funding paired with a slower rate of growth in the subsidized adoption caseload, and increased initial funding paired with a faster rate of growth in the foster care caseload. The requested subsidized guardianship caseload adjustment brings the appropriation to the level of FY 2014 expenditures. Note that the 2013 Legislature approved a one-time-only appropriation for an increased guardianship caseload; when this is included in the authority for the 2015 biennium, the total appropriation is about \$1.1 million, which is approximately the request for each year of the 2017 biennium.

Subsidized adoption exists to promote the adoption of children with special needs by providing support services and medical and financial assistance to adoptive families when necessary to ensure the child's health and welfare. Changes in subsidized adoption expenditures relate to both the anticipated caseload based on the number of children awaiting adoption and the Adoption Subsidy Agreement negotiated for each child. Subsidy agreements include Medicaid, monthly financial assistance, and non-recurring adoption expenses and are negotiated between the Adoption Negotiations Program Manager and the pre-adoptive parent(s). Subsidies are negotiated at a rate that can be no more than \$10 less per month than the foster care rate for the specific child. Detailed policies regarding the subsidized adoption program can be found at the following address: <http://www.dphhs.mt.gov/Portals/85/cfsd/documents/cfsdmanual/604-1.pdf>.



The figure above charts the average number of children in care by fiscal year for the foster care and subsidized adoption programs. Subsidized adoption cases have remained relatively stable. As the figure indicates, at the time of last biennium's analysis, the number of foster care cases also appeared to be stable and quite low. However, FY 2013 and FY 2014 have seen rapid growth in foster care caseload. Most of this has occurred in region 1 in the east which encompasses the Bakken area. At this time, the department expects that the current trends will continue.

#### *Montana Adult and Child Welfare Information Systems (MACWIS)*

The 2013 Legislature appropriated one-time-only funds of \$350,000 to complete the planning process for MACWIS. MACWIS is meant to replace the Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for services, and reporting.

MACWIS was initially funded in HB 4 with Long Range Information Technology (LRIT) funding during the 2007 May Special Session, but became part of the Governor's 17-7-140 reductions prior to the 2011 session. The original budget was \$27.1 million with \$15.2 million in LRIT funds and \$11.9 million in federal funds. Prior to placing the project on hold and reverting \$10.3 million to the general fund in the 17-7-140 reductions, the Governor transferred \$3.4 million LRIT funds to the MMIS (\$2.9 million) and CHIMES EA (\$0.5 million) projects. The 2015 biennium appropriation was assigned to the DPHHS Technology Services Division (TSD) and did not impact the CFSD budget.

The OTO funds, as well as federal matching funds, were used to collect information and complete the planning process for the system's development. According to the division's most recent five year plan (<http://www.dphhs.mt.gov/Portals/85/cfsd/documents/ChildAndFamilyServicesPlan2014.pdf>), the data collection and planning process have been completed, as was a request for information (RFI). The division is also prepared to move forward with a request for proposals (RFP) provided the project receives further funding. However, the executive's proposed 2017 biennial budget does not include any appropriation for continuation of the MACWIS project.

#### **Funding**

The following table shows proposed program funding by source from all sources of authority.

Economic Security Services Branch, 03-Child & Family Services						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	80,039,986	0	0	80,039,986	55.78 %	
02089 Child Abuse & Neglect Program	0	0	0	0	0.00 %	
02209 Third Party Contributions-F.C.	3,611,406	0	0	3,611,406	91.18 %	
02473 Assault Intervention & Trtmnt	169,002	0	0	169,002	4.27 %	
02483 Adoption Services / SA	0	0	165,544	165,544	4.18 %	
02496 Family Preservation Conference	15,008	0	0	15,008	0.38 %	
<b>State Special Total</b>	<b>\$3,795,416</b>	<b>\$0</b>	<b>\$165,544</b>	<b>\$3,960,960</b>	<b>2.76 %</b>	
03109 TANF Benefits	3,760,000	0	0	3,760,000	6.32 %	
03185 CASEWORKER VISITS	0	0	0	0	0.00 %	
03224 Access & Visitation Grt 93.597	191,360	0	0	191,360	0.32 %	
03458 6901 - Chafee - ETV 93.599	353,952	0	0	353,952	0.59 %	
03522 93.556 - Family Preservation	1,619,908	0	0	1,619,908	2.72 %	
03526 93.643 - Child Justice	188,358	0	0	188,358	0.32 %	
03529 IV-E Guardianship	1,582,060	0	0	1,582,060	2.66 %	
03530 6901-Foster Care 93.658	18,316,208	0	0	18,316,208	30.78 %	
03531 6901-Subsidized Adopt 93.659	15,412,399	0	0	15,412,399	25.90 %	
03532 93.669 - Child Abuse	288,099	0	0	288,099	0.48 %	
03533 93.671 - Domestic Violence	1,579,890	0	0	1,579,890	2.66 %	
03534 93.672 - Child Abuse Challenge	0	0	0	0	0.00 %	
03536 93.674 - IV-E Independent Livi	1,115,579	0	0	1,115,579	1.88 %	
03593 03 Indirect Activity Prog 03	15,091,248	0	0	15,091,248	25.36 %	
03964 Adoption Incentive Funds	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$59,499,061</b>	<b>\$0</b>	<b>\$0</b>	<b>\$59,499,061</b>	<b>41.46 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$143,334,463</b>	<b>\$0</b>	<b>\$165,544</b>	<b>\$143,500,007</b>		

This division is funded from a variety of sources and funding and federal matching rates vary by function. Some costs are allocated among funding sources through a federally approved cost allocation plan that includes a random moment in time study of social worker activities, among other factors.

General fund comprises 55.8% of the proposed biennial budget, most of which is used as matching funds to federal funds supporting foster care, subsidized adoption, and family reunification as well as programs promoting safe, non-violent environments for children. Some of the match rates for these programs vary according to the eligibility of the child. Children who are eligible for federal IV-E funding receive a higher match rate, but they have recently been declining as a portion of the caseload. As a result, increases weigh more heavily on the general fund. The only major function of the division that is entirely supported by general fund is the Centralized Intake Bureau. Centralized intake fields calls reporting potential cases of abuse and neglect. It carries 18.00 FTE at \$2.2 million for the biennium.

Federal funds make up 41.5% of the budget and either directly support foster care, adoption, and guardianship or cover expenses associated with the federal cost allocation plan. The remainder of the budget is state special revenue obtained primarily through third party contributions such as parental payments, child support collections, and supplemental security income (SSI) for eligible children. It is used almost entirely to support foster care.

### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	36,748,590	36,748,590	73,497,180	91.83 %	68,104,556	68,104,556	136,209,112	95.03 %
PL Adjustments	1,961,426	3,346,208	5,307,634	6.63 %	1,958,817	3,606,677	5,565,494	3.88 %
New Proposals	476,171	759,001	1,235,172	1.54 %	584,382	975,475	1,559,857	1.09 %
<b>Total Budget</b>	<b>\$39,186,187</b>	<b>\$40,853,799</b>	<b>\$80,039,986</b>		<b>\$70,647,755</b>	<b>\$72,686,708</b>	<b>\$143,334,463</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	922,102	(2,052)	(636,729)	283,321	0.00	1,184,229	(2,052)	(913,147)	269,030
DP 99 - LEG. Present Law	0.00	1,039,324	(287,921)	924,093	1,675,496	0.00	2,161,979	(287,921)	1,463,589	3,337,647
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,961,426</b>	<b>(\$289,973)</b>	<b>\$287,364</b>	<b>\$1,958,817</b>	<b>0.00</b>	<b>\$3,346,208</b>	<b>(\$289,973)</b>	<b>\$550,442</b>	<b>\$3,606,677</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive; this includes statewide present law personal services adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2. Included below is a table that has the personal services present law (PSPL) broken out by some of its component parts for a more detailed understanding of the adjustments. The other category includes an executive request for overtime and holiday pay.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FY 2016				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	353.65	\$118,620	\$37	\$53,217	\$171,874
Executive Implementation of 2015 Pay Increase		242,879	90	109,114	\$352,083
Fully Fund 2015 Legislatively Authorized FTE		37,737	-	33,942	\$71,679
Other		522,866	(2,179)	(833,002)	(\$312,315)
<b>Personal Services Present Law Adjustments</b>	<b>353.65</b>	<b>\$922,102</b>	<b>(\$2,052)</b>	<b>(\$636,729)</b>	<b>\$283,321</b>
CP 98 PSPL Item	FY 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	353.65	118,620	37	53,217	\$171,874
Executive Implementation of 2015 Pay Increase		242,879	90	109,114	352,083
Fully Fund 2015 Legislatively Authorized FTE		37,737	-	33,942	71,679
Other		784,993	(2,179)	(1,109,420)	(326,606)
<b>Personal Services Present Law Adjustments</b>	<b>353.65</b>	<b>\$1,184,229</b>	<b>(\$2,052)</b>	<b>(\$913,147)</b>	<b>\$269,030</b>

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs. In addition to the statewide adjustments, the executive requests adjustments related to maintenance of existing services. Caseload adjustments are broken out in the table below, while some of the requests are incorporated into a category for other present law adjustments. These adjustments include Federal Medical Assistance Percentages (FMAP) changes for foster care, subsidized adoption, and subsidized guardianship; a funding switch for the federally mandated cost allocation program; a reduction in authority for leased vehicles; and an increase in authority for leases in non-state owned buildings.

Present Law Adjustments					
FY 2016					
CP 99 PL Item	FTE	General Fund	State Special	Federal Special	Total Funds
Foster Care Caseload	0.00	\$1,579,536	\$0	\$645,162	\$2,224,698
Subsidized Adoption Caseload	0.00	(285,373)	-	(309,155)	(594,528)
Guardianship Caseload	0.00	170,140	-	163,467	333,607
Other	0.00	(424,979)	(287,921)	429,560	(264,491)
<b>Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,039,324</b>	<b>(\$287,921)</b>	<b>\$924,093</b>	<b>\$1,675,496</b>
FY 2017					
CP 99 PL Item	FTE	General Fund	State Special	Federal Special	Total Funds
Foster Care Caseload	0.00	\$2,248,455	\$0	\$918,383	\$3,166,838
Subsidized Adoption Caseload	0.00	(44,905)	-	(48,647)	(93,552)
Guardianship Caseload	0.00	260,012	-	249,815	509,827
Other	0.00	(301,583)	(287,921)	344,038	(256,214)
<b>Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,161,979</b>	<b>(\$287,921)</b>	<b>\$1,463,589</b>	<b>\$3,337,647</b>

**LFD COMMENT** Federal Medical Assistance Percentages (FMAP) change from year to year based on the economic well-being of the state. The FY 2015 federal percentage (as appropriated) was 66.22%; the FY 2016 federal percentage will be 65.24% with FY 2017 currently anticipated to be 64.94%. To maintain the existing level of funding, this requires an increase in state funds and an equivalent decrease in federal funds.

**LFD COMMENT** As the foster care caseload increases in association with the Bakken in the Eastern region, more people and resources are being used in that area.

Foster Care Caseload – The executive requests increased funding for foster care caseload growth estimated at 5.4% per year for the biennium.

Subsidized Adoption Caseload - The executive requests decreased funding for subsidized adoption that ties to caseload growth estimated at 3.0% per year for the biennium.

Guardianship Caseload- The executive requests increased funding for guardianship caseload growth estimated at 15.0% per year for the biennium.

**LFD COMMENT** As mentioned earlier, the 2013 Legislature appropriated an additional \$0.2 million in FY 2015 as part of a one-time-only appropriation for subsidized guardianship in the 2015 biennium. The caseload increase requested for subsidized guardianship would bring the appropriation up to the exact level of spending in FY 2014.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 303800 - Tribal Foster Care	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 303900 - PRI - Foster Care	0.00	207,469	0	66,163	273,632	0.00	420,376	0	132,360	552,736
DP 303901 - PRI - Subsidized Adoption	0.00	25,847	0	29,842	55,689	0.00	52,792	0	59,700	112,492
DP 303902 - PRI - Subsidized Guardianship	0.00	3,568	0	2,634	6,202	0.00	7,258	0	5,270	12,528
DP 303903 - PRI - In Home Services	0.00	33,768	0	0	33,768	0.00	67,537	0	0	67,537
DP 303904 - PRI - Independent Living	0.00	2,393	0	9,572	11,965	0.00	4,786	0	19,144	23,930
DP 303905 - PRI - Access and Visitation	0.00	2,126	0	0	2,126	0.00	4,252	0	0	4,252
DP 303906 - PRI - Big Brothers/Big Sisters	0.00	1,000	0	0	1,000	0.00	2,000	0	0	2,000
<b>Total</b>	<b>0.00</b>	<b>\$476,171</b>	<b>\$0</b>	<b>\$108,211</b>	<b>\$584,382</b>	<b>0.00</b>	<b>\$759,001</b>	<b>\$0</b>	<b>\$216,474</b>	<b>\$975,475</b>

DP 303902 - PRI - Subsidized Guardianship -

The executive requests a 2.0% rate increase in each year of the biennium for Subsidized Guardianship providers.

DP 303903 - PRI - In Home Services -

The executive requests a 2.0% rate increase in each year of the biennium for In Home Services providers.

DP 303904 - PRI - Independent Living -

The executive requests a 2.0% rate increase in each year of the biennium for Independent Living providers.

DP 303906 - PRI - Big Brothers/Big Sisters -

The executive requests a 2.0% rate increase in each year of the biennium for Big Brothers/Big Sisters providers.

DP 303905 - PRI - Access and Visitation -

The executive requests a 2.0% rate increase in each year of the biennium for Access and Visitation providers.

DP 303901 - PRI - Subsidized Adoption -

The executive requests a 2.0% rate increase in each year of the biennium for Subsidized Guardianship providers.

DP 303800 - Tribal Foster Care -

The executive requests increased general fund to make permanent the OTO funding from the 2015 biennium for non-Title IV-E services to tribal children residing on reservations in Montana.

**LFD  
COMMENT**

Aside from this funding, children in foster care living on reservations only have access to Title IV-E eligible foster care services and placements. This funding has allowed them access to services including but not limited to counseling, respite care, dental and/or miscellaneous medical, case management, supervised visitation, and special transportation.

DP 303900 - PRI - Foster Care -

The executive requests a 2.0% rate increase in each year of the biennium for Foster Care providers.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	163.75	163.75	157.31	157.31	163.75	157.31	(6.44)	(3.93)%
Personal Services	9,773,771	10,382,063	10,692,493	10,687,487	20,155,834	21,379,980	1,224,146	6.07 %
Operating Expenses	2,233,569	2,021,785	2,233,439	2,233,416	4,255,354	4,466,855	211,501	4.97 %
Equipment & Intangible Assets	21,456	22,694	21,456	21,456	44,150	42,912	(1,238)	(2.80)%
<b>Total Costs</b>	<b>\$12,028,796</b>	<b>\$12,426,542</b>	<b>\$12,947,388</b>	<b>\$12,942,359</b>	<b>\$24,455,338</b>	<b>\$25,889,747</b>	<b>\$1,434,409</b>	<b>5.87 %</b>
General Fund	3,402,614	3,061,768	3,695,771	3,694,135	6,464,382	7,389,906	925,524	14.32 %
State/Other Special Rev. Funds	385,863	878,448	405,125	404,872	1,264,311	809,997	(454,314)	(35.93)%
Federal Spec. Rev. Funds	8,240,319	8,486,326	8,846,492	8,843,352	16,726,645	17,689,844	963,199	5.76 %
<b>Total Funds</b>	<b>\$12,028,796</b>	<b>\$12,426,542</b>	<b>\$12,947,388</b>	<b>\$12,942,359</b>	<b>\$24,455,338</b>	<b>\$25,889,747</b>	<b>\$1,434,409</b>	<b>5.87 %</b>

**Program Description**

The purpose of the Child Support Enforcement Division (CSED) is to pursue and obtain financial and medical support for children by establishing, enforcing, and collecting financial obligations from non-custodial parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children.

**Program Highlights**

The highlights and discussion will reference changes from the FY 2015 budget as appropriated by the 2013 Legislature rather than from FY 2014 actuals. The following table summarizes those changes with adjustments from the 2015 legislative appropriation.

<b>Child Support Enforcement Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The major budgetary change is a funding switch from state special funds to general fund due to decreasing state special revenue</li> <li>• The increase in requested expenditures is primarily due to annualization of the 2015 biennium pay plan</li> </ul>

**Program Discussion -**

Federal regulation mandates a child support enforcement program under Title IV-D of the Social Security Act in order for states to maintain eligibility for the federal Temporary Assistance for Needy Families (TANF) block grant. Collection of child support owed to TANF families is automatically assigned to the state and is used to reimburse federal and state governments for benefits paid to the families. Additionally, child support enforcement services must be provided to any applicant regardless of income level.

In FY 2014, CSED collected about \$70.7 million on behalf of both TANF and non-TANF children and their custodial parents. Non-TANF collections were \$66.5 million and TANF collections were \$4.2 million, of which \$1.2 million went into the CSED state special revenue fund. The share of child support cases that are TANF related has been falling, and as a result the revenue to the state special fund has been declining. The impact of this reduction is discussed further in the funding section below.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Economic Security Services Branch, 05-Child Support Enforcement Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	7,389,906	0	0	7,389,906	28.54 %	
02187 Child Support State Share	809,997	0	0	809,997	100.00 %	
<b>State Special Total</b>	<b>\$809,997</b>	<b>\$0</b>	<b>\$0</b>	<b>\$809,997</b>	<b>3.13 %</b>	
03269 Child Support Incentive	2,595,784	0	0	2,595,784	14.67 %	
03570 93.563 - Child Support IVD 66%	15,094,060	0	0	15,094,060	85.33 %	
<b>Federal Special Total</b>	<b>\$17,689,844</b>	<b>\$0</b>	<b>\$0</b>	<b>\$17,689,844</b>	<b>68.33 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$25,889,747</b>	<b>\$0</b>	<b>\$0</b>	<b>\$25,889,747</b>		

This program is primarily federally funded. Title IV-D eligible expenditures are funded with 66% federal funds and 34% state funds. The non-IV-D federal funding is an incentive payment for reaching specified federal benchmarks. State match for the Title IV-D spending comes from the child support state special revenue fund and the general fund.

*Funding Changes*

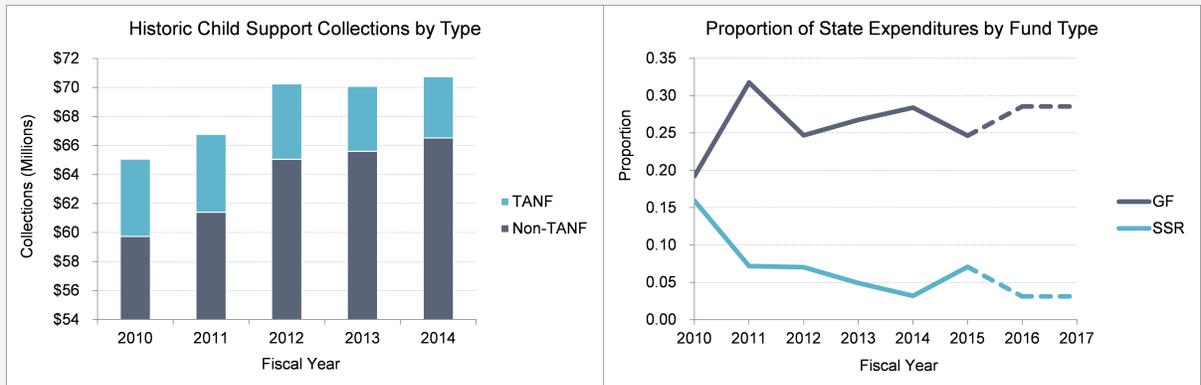
As indicated in the main table, there is a reduction in state special revenue funding and increases in both general fund and federal funds. During FY 2014 the division transferred in nearly \$0.5 million in general fund authority to cover a state special revenue shortfall. This shortfall is due to the changing composition of the child support caseload and is explained further below. It is likely that similar transfers will be necessary in FY 2015, as state special revenue will likely continue to be significantly below the level anticipated by the 2013 Legislature.

State Special Revenue

State special revenue is generated primarily from the retention of collections made on behalf of TANF participants in addition to small amounts from applications, genetic testing, and federal tax offset fees. Any child support recovered on behalf of TANF recipients is retained by the state at the state share according to the Federal Medical Assistance Percentage (FMAP) (estimated at about 34.8% for FY 2016 and 35.1% for FY 2017). No revenue is retained from non-TANF collections, which are simply collected and sent on to the custodial parent.

The executive requests a decrease of \$0.5 million in state special fund from the 2015 biennium due to decreasing revenue from TANF clients. This results in an increase in general fund spending to cover the state portion of the budget.

<p><b>LFD ISSUE</b></p>	<p><u>Reduced State Special Revenue Leading to Increased General Fund</u></p> <p>As stated earlier, the number of TANF-related CSED cases is declining, leading to a decrease in state special revenue; at the same time, the number of non-TANF cases is growing, leading to an increase in overall spending and increasing reliance on general fund to cover the state match.</p> <p>The chart to the left shows that although overall child support collections have been increasing, collections for TANF participants have been slowly decreasing. Due to the direct relationship between TANF collections and the state special revenue fund, this has led to a slow year-after-year decline in state special revenue. The chart to the right shows the changing proportions of CSED expenditures that have come from the general fund and the division’s state special revenue fund. FY 2015 uses the appropriation and FYs 2016-2017 are the executive request. It is likely that the actual proportions for FY 2015 will fall much closer to those seen in FY 2014 than those indicated by the appropriation.</p>
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Currently, [40-5-210\(3\), MCA](#) prohibits the department from charging a handling fee for collection of support for those who are not public assistance recipients. Federal regulations ([42 U.S.C. 654\(6\)\(B\)](#)) permit an annual fee of \$25 to be assessed to either the obligor or obligee after the first \$500 in support has been collected each year.

Legislative Options

- If the legislature wants to address the declining state special revenue, it may consider requesting a committee bill to amend the MCA to allow assessment of handling fees for those who are not recipients of public assistance
- Take no action

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,061,768	3,061,768	6,123,536	82.86 %	12,426,542	12,426,542	24,853,084	96.00 %
PL Adjustments	634,003	632,367	1,266,370	17.14 %	520,846	515,817	1,036,663	4.00 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$3,695,771</b>	<b>\$3,694,135</b>	<b>\$7,389,906</b>		<b>\$12,947,388</b>	<b>\$12,942,359</b>	<b>\$25,889,747</b>	

**Present Law Adjustments -**

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	695,808	(582,390)	197,012	310,430	0.00	694,819	(583,100)	193,705	305,424
DP 99 - LEG. Present Law	0.00	(61,805)	109,067	163,154	210,416	0.00	(62,452)	109,524	163,321	210,393
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$634,003</b>	<b>(\$473,323)</b>	<b>\$360,166</b>	<b>\$520,846</b>	<b>0.00</b>	<b>\$632,367</b>	<b>(\$473,576)</b>	<b>\$357,026</b>	<b>\$515,817</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive; this includes statewide present law personal services adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2. Included below is a table that has the personal services present law (PSPL) broken out by some of its component parts for a more detailed understanding of the adjustments.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	157.31	\$21,392	\$2,246	\$52,814	\$76,453
Executive Implementation of 2015 Pay Increase		50,966	5,322	123,713	\$180,002
Fully Fund 2015 Legislatively Authorized FTE		7,078	2,298	33,879	\$43,255
Other		616,372	(592,257)	(13,394)	\$10,720
<b>Personal Services Present Law Adjustments</b>	<b>157.31</b>	<b>\$695,808</b>	<b>(\$582,390)</b>	<b>\$197,012</b>	<b>\$310,430</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	157.31	21,392	2,246	52,814	76,453
Executive Implementation of 2015 Pay Increase		50,966	5,322	123,713	180,002
Fully Fund 2015 Legislatively Authorized FTE		7,078	2,298	33,879	43,255
Other		615,383	(592,967)	(16,701)	5,714
<b>Personal Services Present Law Adjustments</b>	<b>157.31</b>	<b>\$694,819</b>	<b>(\$583,100)</b>	<b>\$193,705</b>	<b>\$305,424</b>

DP 99 - LEG. Present Law -

This adjustment reflects all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	65.50	65.50	63.00	63.00	65.50	63.00	(2.50)	(3.82)%
Personal Services	3,718,669	3,961,394	4,083,640	4,080,675	7,680,063	8,164,315	484,252	6.31 %
Operating Expenses	5,686,817	5,152,123	6,367,999	5,893,197	10,838,940	12,261,196	1,422,256	13.12 %
Equipment & Intangible Assets	7,900	0	7,900	7,900	7,900	15,800	7,900	100.00 %
Debt Service	3,311	5,676	3,311	3,311	8,987	6,622	(2,365)	(26.32)%
<b>Total Costs</b>	<b>\$9,416,697</b>	<b>\$9,119,193</b>	<b>\$10,462,850</b>	<b>\$9,985,083</b>	<b>\$18,535,890</b>	<b>\$20,447,933</b>	<b>\$1,912,043</b>	<b>10.32 %</b>
General Fund	3,672,835	3,453,091	4,057,149	3,855,618	7,125,926	7,912,767	786,841	11.04 %
State/Other Special Rev. Funds	625,776	698,787	700,502	679,533	1,324,563	1,380,035	55,472	4.19 %
Federal Spec. Rev. Funds	5,118,086	4,967,315	5,705,199	5,449,932	10,085,401	11,155,131	1,069,730	10.61 %
<b>Total Funds</b>	<b>\$9,416,697</b>	<b>\$9,119,193</b>	<b>\$10,462,850</b>	<b>\$9,985,083</b>	<b>\$18,535,890</b>	<b>\$20,447,933</b>	<b>\$1,912,043</b>	<b>10.32 %</b>

**Program Description**

The Business and Financial Services Division (BFSD) provides leadership and guidance in the development and implementation of accounting policies, procedures, and best business practices that support the mission of the Operations Branch.

**Program Highlights**

<b>Business and Financial Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The Governor’s budget proposes an increase of 10.32% over the 2015 biennium that is due to present law adjustments for personal services and fixed costs</li> <li>• All fixed costs for services provided by the Department of Administration and the Legislative Audit Division for the entire department are funded in this division</li> </ul>

**Program Discussion -**

The Business and Financial Services Division is the centralized business center for the Department of Public Health and Human Services (DPHHS). As such, all fixed costs for services provided by the Department of Administration and the legislative audit are paid centrally from this division. It is these fixed costs that account for all of the increase in operating expenses from FY 2014. The largest increases are present law adjustments that add biennial costs of:

- \$0.3 million to support the statewide budget, human resource, and accounting system (SABHRS)
- \$0.4 million for insurance and bonds
- \$0.4 million for statewide indirect costs

**Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base**

Business and Financial Services FY 2015 Executive and Legislative Appropriations			
Category	Legislative Appropriation	Difference Exec/Leg	Total Executive Implementation
Personal Services	\$4,159,019	(\$197,625)	\$3,961,394
Operating Expenses	\$5,167,436	(\$15,313)	\$5,152,123
Equipment & Intangible Assets	\$0		\$0
Debt Services	<u>\$5,676</u>	<u>\$0</u>	\$5,676
Total Costs	<u>\$9,332,131</u>	<u>(\$212,938)</u>	<u>\$9,119,193</u>

The difference between the 2015 legislative base and the 2015 executive implementation can be attributed to a reorganization removing 3.00 FTE and \$156,901 to the Directors Office for consolidation of payroll and benefit services, and a program transfer moving \$56,037 and 1.00 FTE to the Technology Services Division for system oversight and project management.

#### Personal Services

The actual personal services rate when comparing budgeted to utilized hours is 94.1%. The actual vacancy savings was 5.9% compared to a legislative enacted rate of 4% and an additional 2% on general fund. The only long-term vacancy is a computer specialist position that has been open since December of 2013. As stated earlier, 4.00 FTE were moved to other programs in program transfers and reorganizations.

#### Funding

The following table shows proposed program funding by source from all sources of authority.

Operations Services Branch, 06-Business & Financial Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	7,912,767	0	0	7,912,767	38.70 %	
02382 6901-02 Indrct Actvty Prog 06	1,380,035	0	0	1,380,035	100.00 %	
<b>State Special Total</b>	<b>\$1,380,035</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,380,035</b>	<b>6.75 %</b>	
03591 6901-03 Indrct Actvty Prog 06	11,155,131	0	0	11,155,131	100.00 %	
<b>Federal Special Total</b>	<b>\$11,155,131</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,155,131</b>	<b>54.55 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$20,447,933</b>	<b>\$0</b>	<b>\$0</b>	<b>\$20,447,933</b>		

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department.

#### Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,540,308	3,540,308	7,080,616	89.48 %	9,332,131	9,332,131	18,664,262	91.28 %
PL Adjustments	516,841	315,310	832,151	10.52 %	1,130,719	652,952	1,783,671	8.72 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$4,057,149</b>	<b>\$3,855,618</b>	<b>\$7,912,767</b>		<b>\$10,462,850</b>	<b>\$9,985,083</b>	<b>\$20,447,933</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(22,755)	(65,045)	12,421	(75,379)	0.00	(24,138)	(65,528)	11,322	(78,344)
DP 99 - LEG. Present Law	0.00	539,596	53,666	612,836	1,206,098	0.00	339,448	33,180	358,668	731,296
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$516,841</b>	<b>(\$11,379)</b>	<b>\$625,257</b>	<b>\$1,130,719</b>	<b>0.00</b>	<b>\$315,310</b>	<b>(\$32,348)</b>	<b>\$369,990</b>	<b>\$652,952</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. The below table summarizes personal services present law (PSPL).

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	63.00	13,723	1,494	15,401	\$30,618
Executive Implementation of 2015 Pay Increase		29,864	3,264	34,920	68,048
Fully Fund 2015 Legislatively Authorized FTE		4,144	776	7,924	12,844
Other		(70,486)	(70,579)	(45,824)	(186,889)
<b>Personal Services Present Law Adjustments</b>	<b>63.00</b>	<b>(\$22,755)</b>	<b>(\$65,045)</b>	<b>\$12,421</b>	<b>(\$75,379)</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	63.00	13,723	1,494	15,401	\$30,618
Executive Implementation of 2015 Pay Increase		29,864	3,264	34,920	68,048
Fully Fund 2015 Legislatively Authorized FTE		4,144	776	7,924	12,844
Other		(71,869)	(71,062)	(46,923)	(189,854)
<b>Personal Services Present Law Adjustments</b>	<b>63.00</b>	<b>(\$24,138)</b>	<b>(\$65,528)</b>	<b>\$11,322</b>	<b>(\$78,344)</b>

Personal services present law adjustments for the 2017 biennium are negative due to moving 4.00 FTE to other divisions as mentioned earlier.

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including statewide present law adjustments for inflation and fixed costs. Included in this adjustment are SABHRS operation, insurance, and bonds. The FY 2016 amount includes a general fund adjustment of \$10,481 or 6.8% increase over the last biennia .

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	46.25	46.25	45.50	45.50	46.25	45.50	(0.75)	(1.62)%
Personal Services	5,086,951	3,550,477	3,974,985	3,985,776	8,637,428	7,960,761	(676,667)	(7.83)%
Operating Expenses	1,394,747	813,369	1,427,178	1,427,652	2,208,116	2,854,830	646,714	29.29%
Grants	366,782	400,937	366,782	366,782	767,719	733,564	(34,155)	(4.45)%
<b>Total Costs</b>	<b>\$6,848,480</b>	<b>\$4,764,783</b>	<b>\$5,768,945</b>	<b>\$5,780,210</b>	<b>\$11,613,263</b>	<b>\$11,549,155</b>	<b>(\$64,108)</b>	<b>(0.55)%</b>
General Fund	3,128,095	2,029,862	2,595,088	2,601,200	5,157,957	5,196,288	38,331	0.74%
State/Other Special Rev. Funds	746,972	587,222	625,586	626,339	1,334,194	1,251,925	(82,269)	(6.17)%
Federal Spec. Rev. Funds	2,973,413	2,147,699	2,548,271	2,552,671	5,121,112	5,100,942	(20,170)	(0.39)%
<b>Total Funds</b>	<b>\$6,848,480</b>	<b>\$4,764,783</b>	<b>\$5,768,945</b>	<b>\$5,780,210</b>	<b>\$11,613,263</b>	<b>\$11,549,155</b>	<b>(\$64,108)</b>	<b>(0.55)%</b>

### Mission Statement

The Director's Office provides overall policy development and administrative guidance for the department. Included in the Director's Office are legal affairs, personnel services, public information, the prevention resource center, and the AmeriCorps\*VISTA Program. The Montana Health Coalition is administratively attached. Also, the director serves on many councils, including the Interagency Coordinating Council for State Prevention Programs, which is attached to the Governor's Office.

### Agency Highlights

<b>Director's Office Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• Changes in budget relative to the 2015 biennium are primarily due to operating program transfers and department-wide termination payouts for personal services in FY 2014</li> </ul>

### Agency Personal Services

- 2.50 FTE supporting the Tribal Relations Program were transferred from various programs to the Director's Office
- Reflected in both the 2015 biennium and the 2017 biennium proposed budgets is a reorganization that transferred 3.00 FTE from the Business and Financial Services Division to this division for consolidation of payroll and benefit services that support the roughly, 1900 employees of the Department of Health and Human Services
- All termination costs (sick leave payouts, etc.) are funded in this division. Other divisions transfer funds to make the payout. In FY 2014, \$0.6 million in general fund and \$1.1 million in total funds were transferred and paid from this division. As a consequence, FY 2014 has inflated costs that are not included in either FY 2015 or the 2017 biennium
- The increase in ongoing personal service costs is due to several factors:
  - The HB 13 pay plan
  - The transfer of 3.00 FTE from the Business and Financial Services Division and 1.50 FTE from Child and Family Services
  - The transfer of 2.50 FTE from Health and Community Services and Child and Family Services
  - Increases totaling \$0.3 million for adjustments such as, reclassification, competency, and longevity are included in the agency budget request

## Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

Director's Office FY 2015 Executive and Legislative Appropriations			
Category	2015 Legislative Appropriation	Difference Exec/Leg	2015 Executive Implementation
Personal Services	\$3,261,134	\$289,343	3,550,477
Operating Expenses	766,251	47,118	813,369
Grants	0	400,937	400,937
<b>Total Costs</b>	<b>\$4,027,385</b>	<b>\$737,398</b>	<b>\$4,764,783</b>

A comparison between the 2015 legislative base and the 2015 executive implementation shows a difference of \$737,398. This difference is due to program transfers in the amount of \$580,497 and a reorganization transferring \$156,901 into the Director's Office. Program transfers include a 2.50 FTE increase and moving the Children's Trust Fund into the Directors Office.

2015 Transactions by Type Executive FY2015 Implementation		
Description	FTE Impact	Cost
Program Transfer - Tribal Relations - Health and Community Services	1.00	\$50,481
Program Transfer - Childrens Trust Fund - Children and Family Services	<u>1.50</u>	<u>\$530,016</u>
Sub total	2.50	\$580,497
Reorganization - Business and Financial Services	<u>3.00</u>	<u>\$156,901</u>
Sub total	3.00	\$156,901
<b>FY 2015 Summary</b>	<b><u>5.50</u></b>	<b><u>\$737,398</u></b>

## Funding

The following table shows proposed program funding by source from all sources of authority.

Directors Office, 04-Director's Office Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,196,288	0	0	5,196,288	44.99 %	
02089 Child Abuse & Neglect Program	293,566	0	0	293,566	23.45 %	
02099 69010-VISTA-Community Cost Shr	115,235	0	0	115,235	9.20 %	
02338 DPHHS Operations Account	0	0	0	0	0.00 %	
02377 02 Indirect Activity Prog 04	843,124	0	0	843,124	67.35 %	
<b>State Special Total</b>	<b>\$1,251,925</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,251,925</b>	<b>10.84 %</b>	
03072 69010-CNS-Grants-VISTA	483,614	0	0	483,614	9.48 %	
03534 93.672 - Child Abuse Challenge	349,484	0	0	349,484	6.85 %	
03594 03 Indirect Activity Prog 04	4,267,844	0	0	4,267,844	83.67 %	
<b>Federal Special Total</b>	<b>\$5,100,942</b>	<b>\$0</b>	<b>\$0</b>	<b>\$5,100,942</b>	<b>44.17 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$11,549,155</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,549,155</b>		

Most functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions within DPHHS.

There are two other state special revenue funds that support the Director's Office in addition to the funds associated with the Children's Trust Fund (02089) transferred from Child and Family Services:

- Cost allocation
- Community costs shares for the VISTA Volunteers

Two federal special revenue funds support the Director's Office in addition to the federal funds transferred with the Children's Trust Fund (03594):

- Cost allocation
- Funds for VISTA Volunteers

## Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	1,764,065	1,764,065	3,528,130	67.90 %	4,027,385	4,027,385	8,054,770	69.74 %
PL Adjustments	831,023	837,135	1,668,158	32.10 %	1,741,560	1,752,825	3,494,385	30.26 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,595,088</b>	<b>\$2,601,200</b>	<b>\$5,196,288</b>		<b>\$5,768,945</b>	<b>\$5,780,210</b>	<b>\$11,549,155</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	322,866	59,010	331,975	713,851	0.00	328,408	59,665	336,569	724,642
DP 99 - LEG. Present Law	0.00	508,157	140,785	378,767	1,027,709	0.00	508,727	140,883	378,573	1,028,183
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$831,023</b>	<b>\$199,795</b>	<b>\$710,742</b>	<b>\$1,741,560</b>	<b>0.00</b>	<b>\$837,135</b>	<b>\$200,548</b>	<b>\$715,142</b>	<b>\$1,752,825</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes executive implementation of the pay play, FTE reductions from HB 2 boiler plate, and benefit increases. The below table summarizes personal services present law (PSPL)

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	45.50	10,630	2,047	9,436	\$22,113
Executive Implementation of 2015 Pay Increase		33,972	6,047	29,688	69,707
Fully Fund 2015 Legislatively Authorized FTE		3,965	1,808	6,647	12,420
Other		274,299	49,108	286,204	609,611
<b>Personal Services Present Law Adjustments</b>	<b>45.50</b>	<b>\$322,866</b>	<b>\$59,010</b>	<b>\$331,975</b>	<b>\$713,851</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	45.50	10,630	2,047	9,436	\$22,113
Executive Implementation of 2015 Pay Increase		33,972	6,047	29,688	69,707
Fully Fund 2015 Legislatively Authorized FTE		3,965	1,808	6,647	12,420
Other		279,841	49,763	290,798	620,402
<b>Personal Services Present Law Adjustments</b>	<b>45.50</b>	<b>\$328,408</b>	<b>\$59,665</b>	<b>\$336,569</b>	<b>\$724,642</b>

As shown above, the "other" category is approximately \$600,000 in adjustments per year. About half of this is related to the FTE additions and the associated salaries and benefits mentioned earlier. The remaining balance is due to salary reclassification, longevity, and competency adjustments.

#### DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are unrelated to personal services, including statewide present law adjustments for inflation and fixed costs. The executive is requesting roughly \$1.0 million for each year of the biennium. About half of this value is related to an increase in authority from the children's trust fund as part of the program transfers mentioned prior.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	115.23	115.23	110.23	110.23	115.23	110.23	(5.00)	(4.34)%
Personal Services	6,857,070	7,415,770	7,608,523	7,610,669	14,272,840	15,219,192	946,352	6.63 %
Operating Expenses	1,436,925	1,694,581	1,504,798	1,506,013	3,131,506	3,010,811	(120,695)	(3.85)%
Equipment & Intangible Assets	29,337	525	29,337	29,337	29,862	58,674	28,812	96.48 %
Grants	626,553	584,941	626,553	626,553	1,211,494	1,253,106	41,612	3.43 %
<b>Total Costs</b>	<b>\$8,949,885</b>	<b>\$9,695,817</b>	<b>\$9,769,211</b>	<b>\$9,772,572</b>	<b>\$18,645,702</b>	<b>\$19,541,783</b>	<b>\$896,081</b>	<b>4.81 %</b>
General Fund	2,476,778	2,724,281	2,660,092	2,661,289	5,201,059	5,321,381	120,322	2.31 %
State/Other Special Rev. Funds	317,579	578,112	379,574	379,147	895,691	758,721	(136,970)	(15.29)%
Federal Spec. Rev. Funds	6,155,528	6,393,424	6,729,545	6,732,136	12,548,952	13,461,681	912,729	7.27 %
<b>Total Funds</b>	<b>\$8,949,885</b>	<b>\$9,695,817</b>	<b>\$9,769,211</b>	<b>\$9,772,572</b>	<b>\$18,645,702</b>	<b>\$19,541,783</b>	<b>\$896,081</b>	<b>4.81 %</b>

**Program Description**

The Quality Assurance Division (QAD) promotes and protects the safety and well-being of people in Montana by providing responsive and independent assessment and monitoring of human services. This includes activities related to licensing, fraud investigations, fair hearings, ensuring federal compliance, and operating the medical marijuana registry.

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

**Program Highlights**

<p><b>Quality Assurance Division Major Budget Highlights</b></p>
<p>The executive budget request shows a 6.7 % growth in personal services due to the pay plan, benefits increases, and targeted pay adjustments</p>

**Program Discussion -**

*Program Personal Services*

The budget request for the 2017 biennium would support 110.23 FTE and 27 programs with budgets ranging from almost \$2 million down to a few thousand dollars. The actual vacancy savings rate when comparing budgeted to expended hours is about 93.6%. The true vacancy savings rate of 6.4% is higher than the legislative enacted rate of 4% and an additional 2% on general fund. The only long-term vacancy is a licensing permit technician that has not been filled since January of 2014.

Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

Quality Assurance Division FY 2015 Executive and Legislative Appropriations			
Category	Legislative Appropriation	Difference Exec/Leg	Total Executive Implementation
Personal Services	7,415,770	\$0	\$7,415,770
Operating Expenses	\$1,694,581	\$0	\$1,694,581
Equipment & Intangible Assets	\$525		\$525
Grants	<u>\$584,941</u>	<u>\$0</u>	<u>\$584,941</u>
<b>Total Costs</b>	<b>\$9,695,817</b>	<b>\$0</b>	<b>\$9,695,817</b>

A comparison between the 2015 legislative base and the 2015 executive implementation shows no program transfers, reorganizations, or one-time-only appropriations included in FY2015.

Funding

The following table shows proposed program funding by source from all sources of authority.

Operations Services Branch, 08-Quality Assurance Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,321,381	0	0	5,321,381	27.23 %	
02034 Earmarked Alcohol Funds	164,734	0	0	164,734	21.71 %	
02380 02 Indirect Activity Prog 08	13,680	0	0	13,680	1.80 %	
02497 6901-Lien & Estate - SLTCD	113,820	0	0	113,820	15.00 %	
02566 Medical Marijuana	375,496	0	0	375,496	49.49 %	
02585 Recovery Audit Contract	90,991	0	0	90,991	11.99 %	
<b>State Special Total</b>	<b>\$758,721</b>	<b>\$0</b>	<b>\$0</b>	<b>\$758,721</b>	<b>3.88 %</b>	
03096 Discretionary Child Care	1,733,923	0	0	1,733,923	12.88 %	
03251 Child Care Admin	257,735	0	0	257,735	1.91 %	
03303 Title 18 CLIA	308,753	0	0	308,753	2.29 %	
03335 FDA Mammography Inspections	97,164	0	0	97,164	0.72 %	
03341 Frontier Community Health	0	0	0	0	0.00 %	
03359 Recovery Audit Program	96,063	0	0	96,063	0.71 %	
03530 6901-Foster Care 93.658	100,683	0	0	100,683	0.75 %	
03580 6901-93.778 - Med Adm 50%	1,493,204	0	0	1,493,204	11.09 %	
03597 03 Indirect Activity Prog 08	2,750,128	0	0	2,750,128	20.43 %	
03934 Title 19	1,315,255	0	0	1,315,255	9.77 %	
03935 Title 18	3,994,700	0	0	3,994,700	29.67 %	
03948 T-19 OBRA Nurse Aid	4,636	0	0	4,636	0.03 %	
03960 Rural Hospital Flexibility Prog	1,309,437	0	0	1,309,437	9.73 %	
<b>Federal Special Total</b>	<b>\$13,461,681</b>	<b>\$0</b>	<b>\$0</b>	<b>\$13,461,681</b>	<b>68.89 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$19,541,783</b>	<b>\$0</b>	<b>\$0</b>	<b>\$19,541,783</b>		

The division is funded primarily with a variety of federal funds at 68.9% of the total. General fund is 27.2% of program costs with the remaining 3.9% supported by state special revenues.

General fund supports some administrative functions including:

- The state match for eligible costs in Medicaid, TitleIV-E (foster care), and federal discretionary child care funds, community residential facilities, and program compliance

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, marijuana registry fees, and indirect cost recovery funds that assist with:

- Alcohol taxes fund staff and operational costs for chemical dependency program licensure
- Lien and estate funds support services to pursue recoveries for the costs of Medicaid, mainly for nursing home services
- Marijuana registry fees cover the cost of administering the registry
- Recovery Audit Contract funds support the audit process addressing fraud, waste or abuse in Medicaid

There are 12 separate federal funding sources in the Quality Assurance Division budget. Some of the federal sources support more than one function. For instance, Medicaid funds support:

- Third party recovery
- The surveillance, utilization, and review unit (SURS)
- The nurse aide registry for nursing homes
- The federal match of the Recovery Audit Program
- The Department of Justice fraud surveillance contract

Medicaid and Medicare funds support certification of services such as nursing home and home health services. Medicare CLIA (clinical laboratory improvement amendments) pays for reviews of some laboratories in order to qualify the labs for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain their critical access hospital status. Childcare discretionary and administrative funding supports licensure of childcare facilities. Title IV-E pays the federal share of costs of licensing community residential facilities to provide foster care.

Mammography funds pay for contracted inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,724,281	2,724,281	5,448,562	102.39 %	9,695,817	9,695,817	19,391,634	99.23 %
PL Adjustments	(64,189)	(62,992)	(127,181)	(2.39)%	73,394	76,755	150,149	0.77 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,660,092</b>	<b>\$2,661,289</b>	<b>\$5,321,381</b>		<b>\$9,769,211</b>	<b>\$9,772,572</b>	<b>\$19,541,783</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments									
-----Fiscal 2016-----					-----Fiscal 2017-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law									
0.00	6,219	(143,061)	329,595	192,753	0.00	7,593	(143,511)	330,817	194,899
DP 99 - LEG. Present Law									
0.00	(70,408)	(55,477)	6,526	(119,359)	0.00	(70,585)	(55,454)	7,895	(118,144)
<b>Grand Total All Present Law Adjustments</b>									
<b>0.00</b>	<b>(\$64,189)</b>	<b>(\$198,538)</b>	<b>\$336,121</b>	<b>\$73,394</b>	<b>0.00</b>	<b>(\$62,992)</b>	<b>(\$198,965)</b>	<b>\$338,712</b>	<b>\$76,755</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. The below table summarizes personal services present law (PSPL).

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	110.23	16,398	1,714	35,460	\$53,572
Executive Implementation of 2015 Pay Increase		38,454	3,092	86,783	128,328
Fully Fund 2015 Legislatively Authorized FTE		5,845	1,909	22,527	30,281
Other		(54,478)	(149,775)	184,826	(19,428)
<b>Personal Services Present Law Adjustments</b>	<b>110.23</b>	<b>\$6,219</b>	<b>(\$143,061)</b>	<b>\$329,595</b>	<b>\$192,753</b>
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	110.23	16,398	1,714	35,460	\$53,572
Executive Implementation of 2015 Pay Increase		38,454	3,091	86,783	128,328
Fully Fund 2015 Legislatively Authorized FTE		5,845	1,909	22,527	30,281
Other		(53,104)	(150,225)	186,048	(17,282)
<b>Personal Services Present Law Adjustments</b>	<b>110.23</b>	<b>\$7,593</b>	<b>(\$143,511)</b>	<b>\$330,817</b>	<b>\$194,899</b>

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including statewide present law adjustments for inflation and fixed costs. Included in this adjustment is a request to continue supporting a modified position for the Recover Audit Act through contracted services in the amount of \$77,224.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	63.60	63.60	60.60	60.60	63.60	60.60	(3.00)	(4.72)%
Personal Services	5,080,391	5,048,093	5,079,495	5,078,188	10,128,484	10,157,683	29,199	0.29%
Operating Expenses	21,094,589	31,084,113	23,801,653	23,598,274	52,178,702	47,399,927	(4,778,775)	(9.16)%
Equipment & Intangible Assets	357,930	209,206	357,930	357,930	567,136	715,860	148,724	26.22%
Debt Service	0	91,266	0	0	91,266	0	(91,266)	(100.00)%
<b>Total Costs</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$29,239,078</b>	<b>\$29,034,392</b>	<b>\$62,965,588</b>	<b>\$58,273,470</b>	<b>(\$4,692,118)</b>	<b>(7.45)%</b>
General Fund	10,308,657	11,878,584	11,582,711	11,614,360	22,187,241	23,197,071	1,009,830	4.55%
State/Other Special Rev. Funds	1,560,864	1,349,887	1,699,654	1,764,499	2,910,751	3,464,153	553,402	19.01%
Federal Spec. Rev. Funds	14,663,389	23,204,207	15,956,713	15,655,533	37,867,596	31,612,246	(6,255,350)	(16.52)%
<b>Total Funds</b>	<b>\$26,532,910</b>	<b>\$36,432,678</b>	<b>\$29,239,078</b>	<b>\$29,034,392</b>	<b>\$62,965,588</b>	<b>\$58,273,470</b>	<b>(\$4,692,118)</b>	<b>(7.45)%</b>

**Program Description**

The overall mission of the Technology Service Division (TSD) is to use and improve information technology to protect the health, well-being, and self-reliance of all Montanans. The Technology Services Division (TSD) is comprised of three bureaus that provide a wide range of technology platforms that support DPHHS. The three bureaus are organized in areas of project management, database functions, and network/communication systems. TSD services include programming, help desk functions, database support, web development, enterprise architecture, project and contract management, security, and network management.

Further information concerning the systems and programs mentioned in this document can be found by viewing the agency's information technology plan. This plan can be found by visiting:

[http://sitsd.mt.gov/content/stratplan/agencyplans2012/DPHHS/2012\\_DPHHS\\_IT\\_Plan.pdf](http://sitsd.mt.gov/content/stratplan/agencyplans2012/DPHHS/2012_DPHHS_IT_Plan.pdf)

**Program Highlights**

<b>Technology Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The executive requests a total funding decrease of \$4.69 million from the 2015 biennium that is largely due to reductions in IT consulting and professional services</li> <li>• The executive is requesting several present law adjustments for the operations and maintenance of mobile security and licensing, federal security software, and Medicaid eligibility software</li> </ul>

## Program Discussion -

## Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base

Technology Services Division			
FY 2015 Executive and Legislative Appropriations			
Category	Legislative Appropriation	Difference Exec/Leg	Total Executive Implementation
Personal Services	4,694,437	\$353,656	\$5,048,093
Operating Expenses	27,209,240	\$3,874,873	\$31,084,113
Equipment & Intangible Assets	\$209,206	\$0	\$209,206
Debt Services	<u>\$91,266</u>	<u>\$0</u>	\$91,266
Total Costs	<u>\$32,204,149</u>	<u>\$4,228,529</u>	<u>\$36,432,678</u>

A comparison between the 2015 legislative base and the 2015 executive implementation shows a difference of \$4,228,529. The difference can be attributed to program transfers totaling \$315,861 and two one-time-only appropriations: 1) CHIMES, Medicaid/HMK, and TEAMS projects; and 2) MACWIS planning completion.

The 2013 Legislature passed HB 2 and provided one-time only funding for the Combined Healthcare Information and Montana Eligibility System (CHIMES). CHIMES is a Medicaid eligibility system. The use of \$3.4 million in FY 2014 and \$3.7 million in FY 2015 was restricted in HB 2 for the operation, support, and project management of:

- CHIMES Medicaid/Healthy Montana Kids (HMK)
- CHIMES Supplemental Nutrition Assistance (SNAP)
- CHIMES Temporary Assistance for Needy Families (TANF)
- The Economic Assistance Management System (TEAMS)

In addition, a one-time-only appropriation of \$175,000 for each year of the 2015 biennium was given to the division to complete the planning process for the Montana Adult and Child Welfare System (MACWS), including a comprehensive plan for the funding and development of this system. HB-2 requires this plan to be presented to the 2015 Legislature.

The decrease in the executive budget request for the 2017 biennium compared to the 2015 biennium is due primarily to a reduction in federal funds for consulting and professional services in the 2017 biennium.

#### MMIS – The Montana Medicaid Management System

The Montana Medicaid Management System (MMIS) is an automated system for Medicaid claim management. The federal government mandates a MMIS system be used in states participating in Medicaid. In Montana, there exists a legacy system that is currently in use; however the 2009 Legislature appropriated \$65.5 million dollars to develop and build a new system. This project is federally funded at 90% with a 10% state match. Xerox was the fiscal agent selected to co-develop this program with the state of Montana. The project remains the largest information technology project in terms of cost historically for the state of Montana. Significant issues have developed over the last five years in terms of cost, schedule, and product development. Events and milestones for the project are as follows:

- The project is funded from HB 10 under an original appropriation of \$65.5 million.
- Project cost was reevaluated in 2014 and was reported to be in excess of \$84 million
- In June of 2014, performance fines levied against Xerox total \$12.8 million
- The Legislative Finance Committee formed a special sub-committee for oversight and reporting of the project in 2014 called the MMIS sub-committee

- The department of Health and Human Services filed a breach of contract notice to Xerox concerning open issues including the main work plan and substantive missed deadlines and deliverables in June of 2014
- The Legislative Finance Committee voted no confidence in the Xerox project
- The Department of Health and Human Services issued an additional letter to Xerox requiring corrective action plan be developed for project issues including staffing, schedule, missed deliverables, and quality work concerns

The Legislative Finance Committee has recommended that the project continue to be monitored during the 2015 session. Legislative action could include defunding the project by amending HB 10.

**Personal Services**

The number of FTE supported by TSD is currently 63.6. An additional 4.00 FTE came from program transfers from the Addictive and Mental Disabilities Division to support contracts and program specific work in TSD during FY2014.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Operations Services Branch, 09-Technology Services Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	23,197,071	0	0	23,197,071	39.81 %	
02381 02 Indirect Activity Prog 09	3,464,153	0	0	3,464,153	100.00 %	
02598 MCDC COST RECOVERY	0	0	0	0	0.00 %	
<b>State Special Total</b>	<b>\$3,464,153</b>	<b>\$0</b>	<b>\$0</b>	<b>\$3,464,153</b>	<b>5.94 %</b>	
03598 03 Indirect Activity Prog 09	31,612,246	0	0	31,612,246	100.00 %	
<b>Federal Special Total</b>	<b>\$31,612,246</b>	<b>\$0</b>	<b>\$0</b>	<b>\$31,612,246</b>	<b>54.25 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$58,273,470</b>	<b>\$0</b>	<b>\$0</b>	<b>\$58,273,470</b>		

All HB 2 categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches for costs that benefit common purposes related to work done by TSD throughout the agency.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	11,380,597	11,380,597	22,761,194	98.12 %	32,204,149	32,204,149	64,408,298	110.53 %
PL Adjustments	202,114	233,763	435,877	1.88 %	(2,965,071)	(3,169,757)	(6,134,828)	(10.53)%
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$11,582,711</b>	<b>\$11,614,360</b>	<b>\$23,197,071</b>		<b>\$29,239,078</b>	<b>\$29,034,392</b>	<b>\$58,273,470</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	500,488	24,054	(139,484)	385,058	0.00	375,711	(2,883)	10,923	383,751
DP 99 - LEG. Present Law	0.00	(298,374)	487,898	(3,539,653)	(3,350,129)	0.00	(141,948)	579,680	(3,991,240)	(3,553,508)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$202,114</b>	<b>\$511,952</b>	<b>(\$3,679,137)</b>	<b>(\$2,965,071)</b>	<b>0.00</b>	<b>\$233,763</b>	<b>\$576,797</b>	<b>(\$3,980,317)</b>	<b>(\$3,169,757)</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. The below table summarizes personal services present law (PSPL).

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	60.60	11,983	2,000	15,468	\$29,452
Executive Implementation of 2015 Pay Increase		35,614	5,937	46,628	88,178
Fully Fund 2015 Legislatively Authorized FTE		4,546	2,312	12,284	19,142
Other		448,345	13,805	(213,864)	248,286
<b>Personal Services Present Law Adjustments</b>	<b>60.60</b>	<b>\$500,488</b>	<b>\$24,054</b>	<b>(\$139,484)</b>	<b>\$385,058</b>
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	60.60	11,983	2,000	15,468	\$29,452
Executive Implementation of 2015 Pay Increase		35,614	5,937	46,628	88,178
Fully Fund 2015 Legislatively Authorized FTE		4,546	2,312	12,284	19,142
Other		323,568	(13,132)	(63,457)	246,979
<b>Personal Services Present Law Adjustments</b>	<b>60.60</b>	<b>\$375,711</b>	<b>(\$2,883)</b>	<b>\$10,923</b>	<b>\$383,751</b>

Adjustments are a function of the HB-13 pay plan, benefit increases, and target adjustments for competency, longevity, correction, and reclassification pay.

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including statewide present law adjustments for inflation and fixed costs. Reductions in present law can be attributed to reduced expenditures in IT professional services and consulting.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	13.00	13.00	13.00	13.00	13.00	13.00	0.00	0.00 %
Personal Services	986,482	984,751	1,157,565	1,158,344	1,971,233	2,315,909	344,676	17.49 %
Operating Expenses	147,276	108,777	150,531	150,563	256,053	301,094	45,041	17.59 %
Equipment & Intangible Assets	0	5,240	0	0	5,240	0	(5,240)	(100.00)%
<b>Total Costs</b>	<b>\$1,133,758</b>	<b>\$1,098,768</b>	<b>\$1,308,096</b>	<b>\$1,308,907</b>	<b>\$2,232,526</b>	<b>\$2,617,003</b>	<b>\$384,477</b>	<b>17.22 %</b>
General Fund	463,034	429,634	534,962	535,299	892,668	1,070,261	177,593	19.89 %
State/Other Special Rev. Funds	25,056	26,912	30,024	30,049	51,968	60,073	8,105	15.60 %
Federal Spec. Rev. Funds	645,668	642,222	743,110	743,559	1,287,890	1,486,669	198,779	15.43 %
<b>Total Funds</b>	<b>\$1,133,758</b>	<b>\$1,098,768</b>	<b>\$1,308,096</b>	<b>\$1,308,907</b>	<b>\$2,232,526</b>	<b>\$2,617,003</b>	<b>\$384,477</b>	<b>17.22 %</b>

**Program Description**

The Management and Fair Hearings Office (MFH) is made up of the Branch Management Office and the Office of Fair Hearings. It is responsible for all the oversight and management of the Operations Branch and for providing fair hearings for many of the department's programs.

**Program Highlights**

<b>Management and Fair Hearings Major Budget Highlights</b>
The Governor proposes a 17.2 % increase over the 2015 biennium budget that is primarily due to present law adjustments for personal services and operating expenses, and the addition of 1.00 FTE.

**Program Discussion -**

**Comparison of FY 2015 Legislative Base to FY 2015 Adjusted Base**

The table on the following page shows the difference in legislative appropriation and executive implementation for FY2015. There have been no program transfers, reorganizations, or other transfers as indicated.

Management and Fair Hearings FY 2015 Executive and Legislative Appropriations			
Category	Legislative Appropriation	Difference Exec/Leg	Total Executive Implementation
Personal Services	984,751	\$0	\$984,751
Operating Expenses	\$108,777	\$0	\$108,777
Equipment & Intangible Assets	<u>\$5,240</u>	<u>\$0</u>	<u>\$5,240</u>
<b>Total Costs</b>	<b>\$1,098,768</b>	<b>\$0</b>	<b>\$1,098,768</b>

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Operations Services Branch, 16-Management and Fair Hearings Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,070,261	0	0	1,070,261	40.90 %
02221 02 Indirect Activity Prog 16	60,073	0	0	60,073	100.00 %
<b>State Special Total</b>	<b>\$60,073</b>	<b>\$0</b>	<b>\$0</b>	<b>\$60,073</b>	<b>2.30 %</b>
03304 03 Indirect Activity Prog 16	1,486,669	0	0	1,486,669	100.00 %
<b>Federal Special Total</b>	<b>\$1,486,669</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,486,669</b>	<b>56.81 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$2,617,003</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,617,003</b>	

All HB 2 categories are funded through cost allocation using a formula that recognizes the multiple funding sources and required general fund matches for costs that benefit common purposes related to work done by Management and Fair Hearings throughout the agency.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	429,634	429,634	859,268	80.29 %	1,098,768	1,098,768	2,197,536	83.97 %
PL Adjustments	105,328	105,665	210,993	19.71 %	209,328	210,139	419,467	16.03 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$534,962</b>	<b>\$535,299</b>	<b>\$1,070,261</b>		<b>\$1,308,096</b>	<b>\$1,308,907</b>	<b>\$2,617,003</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating

expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	84,116	2,730	85,968	172,814	0.00	84,435	2,756	86,402	173,593
DP 99 - LEG. Present Law	0.00	21,212	382	14,920	36,514	0.00	21,230	381	14,935	36,546
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$105,328</b>	<b>\$3,112</b>	<b>\$100,888</b>	<b>\$209,328</b>	<b>0.00</b>	<b>\$105,665</b>	<b>\$3,137</b>	<b>\$101,337</b>	<b>\$210,139</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. Included in the "other" category is the addition of 1.00 FTE at the cost of \$77,396 for salary and benefits for each year of the biennium. The below table summarizes personal services present law (PSPL).

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	13.00	2,583	144	3,590	\$6,318
Executive Implementation of 2015 Pay Increase		8,342	478	11,563	20,384
Fully Fund 2015 Legislatively Authorized FTE		994	141	2,700	3,835
Other		72,196	1,966	68,115	142,277
<b>Personal Services Present Law Adjustments</b>	<b>13.00</b>	<b>\$84,116</b>	<b>\$2,730</b>	<b>\$85,968</b>	<b>\$172,814</b>
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	13.00	2,583	144	3,590	\$6,318
Executive Implementation of 2015 Pay Increase		8,343	478	11,563	20,384
Fully Fund 2015 Legislatively Authorized FTE		994	141	2,700	3,835
Other		72,515	1,992	68,549	143,056
<b>Personal Services Present Law Adjustments</b>	<b>13.00</b>	<b>\$84,435</b>	<b>\$2,756</b>	<b>\$86,402</b>	<b>\$173,593</b>

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including statewide present law adjustments for inflation and fixed costs. The \$73,000 biennial adjustment is funded with 58% general fund.

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	191.95	191.95	184.52	184.51	191.95	184.51	(7.44)	(3.88)%
Personal Services	12,406,591	12,750,464	13,363,965	13,361,005	25,157,055	26,724,970	1,567,915	6.23%
Operating Expenses	12,314,255	14,072,460	12,576,503	12,579,287	26,386,715	25,155,790	(1,230,925)	(4.66)%
Equipment & Intangible Assets	36,500	224,556	36,500	36,500	261,056	73,000	(188,056)	(72.04)%
Grants	21,944,730	24,168,273	23,707,257	23,707,257	46,113,003	47,414,514	1,301,511	2.82%
Benefits & Claims	14,039,913	14,656,277	14,039,913	14,039,913	28,696,190	28,079,826	(616,364)	(2.15)%
Transfers	390,674	474,785	390,674	390,674	865,459	781,348	(84,111)	(9.72)%
<b>Total Costs</b>	<b>\$61,132,663</b>	<b>\$66,346,815</b>	<b>\$64,114,812</b>	<b>\$64,114,636</b>	<b>\$127,479,478</b>	<b>\$128,229,448</b>	<b>\$749,970</b>	<b>0.59%</b>
General Fund	3,672,480	4,143,476	3,864,690	3,863,707	7,815,956	7,728,397	(87,559)	(1.12)%
State/Other Special Rev. Funds	16,291,732	16,847,018	18,152,485	18,155,511	33,138,750	36,307,996	3,169,246	9.56%
Federal Spec. Rev. Funds	41,168,451	45,356,321	42,097,637	42,095,418	86,524,772	84,193,055	(2,331,717)	(2.69)%
<b>Total Funds</b>	<b>\$61,132,663</b>	<b>\$66,346,815</b>	<b>\$64,114,812</b>	<b>\$64,114,636</b>	<b>\$127,479,478</b>	<b>\$128,229,448</b>	<b>\$749,970</b>	<b>0.59%</b>

Mission Statement

The mission of the Public Health and Safety Division is to improve the health of Montanans to the highest possible level.

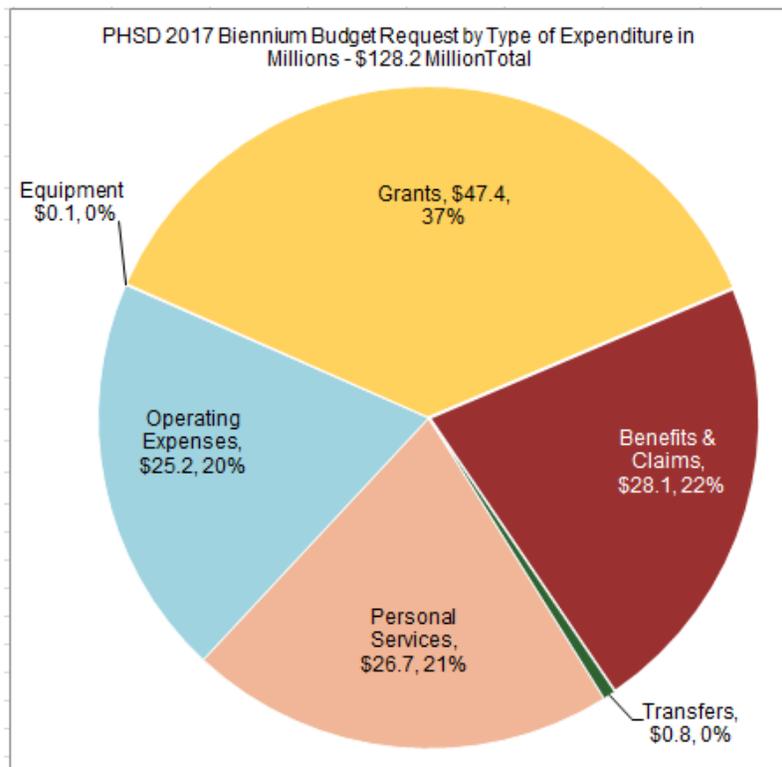
Agency Highlights

<b>Public Health and Safety Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 biennium budget request is \$0.8 million higher than the 2015 biennium                             <ul style="list-style-type: none"> <li>◦ Increases in personal services and grant funding are partially offset by reductions in operating expenses and benefits and claims</li> </ul> </li> <li>• However, the biennial difference is a negative \$4.6 million when compared to the FY 2015 legislative base budget, which is used in the legislative budget analysis</li> <li>• The FY 2015 legislative base is about \$2.3 million higher in federal funds compared to each year of the executive budget request in contracted services, operating costs, grants, and benefits due to:                             <ul style="list-style-type: none"> <li>◦ Lower federal grant amounts as a result of federal sequestration</li> <li>◦ Adjustments that moved funds from operating costs to grants to conform with state accounting guidelines</li> <li>◦ Fewer enrollees in the Women, Infants, and Children nutrition program</li> </ul> </li> <li>• The legislative FY 2015 base does not include sufficient tobacco settlement state special revenue to fund executive increases for:                             <ul style="list-style-type: none"> <li>◦ Tobacco use prevention - \$2.0 million</li> <li>◦ Colorectal cancer screening - \$0.3 million</li> <li>◦ Cardiovascular health and diabetes prevention - \$0.2 million</li> <li>◦ Asthma home visiting - \$0.2 million</li> </ul> </li> </ul>

Major LFD Issues
<ul style="list-style-type: none"> <li>• There is excess revenue in the tobacco settlement state special revenue account dedicated to tobacco control and preventions                             <ul style="list-style-type: none"> <li>◦ The executive intended to leave a balance to insure there is adequate funding in future years to continue to fund existing and expanded programs</li> <li>◦ The legislature could consider using some or all of the excess funds for other uses.</li> </ul> </li> </ul>

**Division Budget Discussion**

The graph shows the PHSD 2017 biennium budget request by type of expenditure. Grants are the largest component and represent funds provided to local entities that contract to provide broad based public services. Examples include public health education and improvements in emergency preparedness.



Benefits and claims are services to individuals who meet specific eligibility criteria and are 22% of the total. The primary service funded in this category is the Women, Infants, and Children (WIC) nutrition program. Personal services and operating cost are each about one fifth of the total. Equipment and transfer costs are negligible.

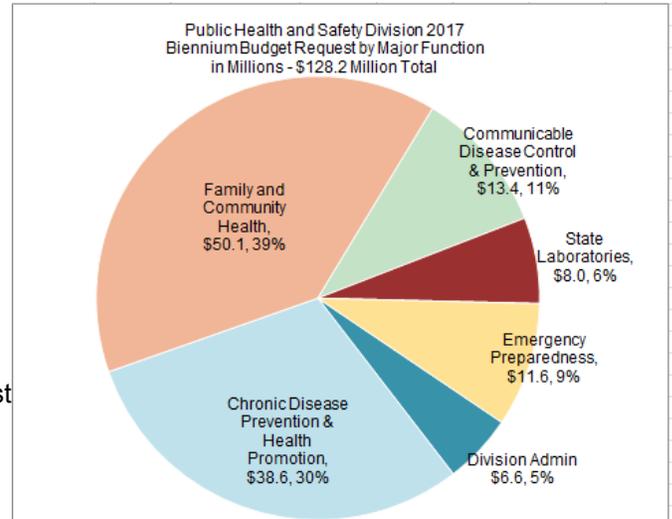
**2017 Biennium Request by Major Function**

The adjacent table shows the 2017 biennium budget request by major function. Family and community health is the largest component and includes the following programs:

- WIC
- Men’s and women’s health
- Public health home visiting
- Genetics testing
- Maternal and children’s health
- Newborn hearing screening
- Children’s special health services

Chronic disease prevention is just under 1/3 of the budget request and includes these programs:

- Cancer control
- Asthma, diabetes, and cardiovascular health
- Emergency medical services and trauma systems
- Tobacco control and prevention



Communicable disease prevention and health promotion is 11% of the budget request and includes the following functions:

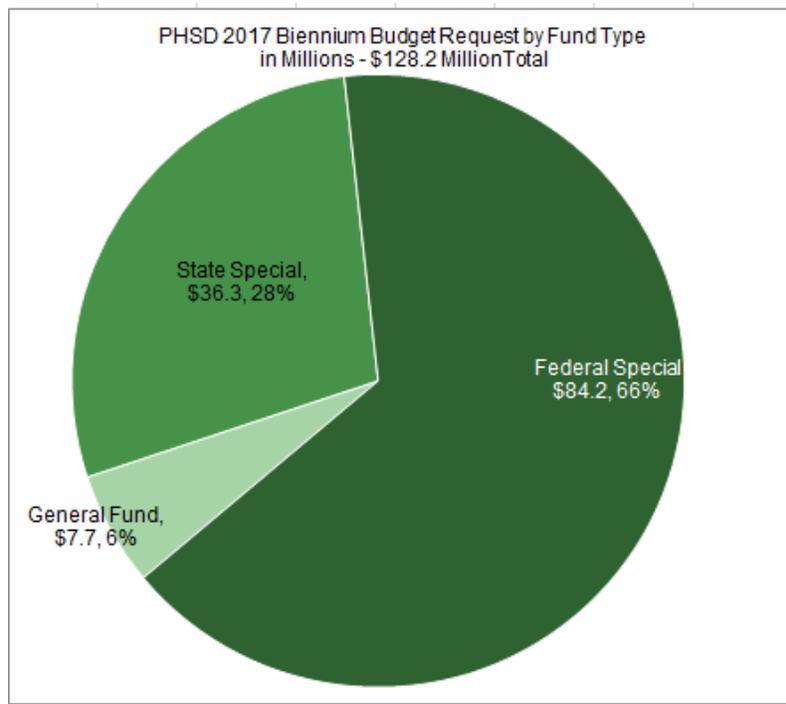
- Food and consumer safety
- Communicable disease and epidemiology
- Immunization
- Sexually transmitted disease and HIV prevention

Emergency preparedness is 9% of the total and includes emergency preparedness and training. The state laboratory function is the public health laboratory, which is 6% of the total. Division administration is 5%.

**2017 Biennium Request by Fund Type**

The graph shows the PHSD biennial budget request by major fund type. Detailed information on specific sources is included in the Funding section. General fund is 6% of the total. The specific functions supported by general fund are listed in the Funding section.

State special revenue supports 28% of the PHSD budget request. The most significant source is tobacco settlement funds, which total about \$21.0 million of the request. Federal special revenue funds 2/3 of the 2017 biennium request and consists of various categorical grants, which must be used for specific purposes. The single largest federal grant supports the Women, Infants, and Children (WIC) program, with about \$30 million budgeted in the 2017 biennium.



### Agency Personal Services

Personal services changes are discussed in DP 98.

### Comparison of FY 2015 Legislative Base to FY 2015 Appropriation

The legislative budget analysis is based on the FY 2015 appropriation as approved by the legislature, which is different than the FY 2015 appropriation as implemented by the executive. The differences between the two are shown in the following table. The legislative base budget is about \$128,000 lower than the FY 2015 appropriation as implemented by the executive. The differences are a net of:

- A one-time general fund appropriation for the poison control hotline - \$182,400
- Transfer of \$54,558 Disability, Employment, and Transitions program

The FY 2015 appropriation as implemented by the executive includes these changes, while the legislative FY 2015 appropriation does not.

Other changes that net to zero include:

- Multiple adjustments to align appropriation authority due to federal funding changes that altered grant levels
- An operating plan adjustment to implement an accounting policy change to record payments to other state agencies as transfers

FY 2015 Appropriation Transactions - Department of Public Health & Human Services						
Program	Legislative Appropriation	Legislative App OTO	House Adj	Operating Plan	Program Transfers	Total Executive Implementation
Public Health and Safety	\$66,218,973	\$182,400	\$0	\$0	(\$9,820)	\$66,346,815
Public Health and Safety	-	-	-	-	(11,457)	
Public Health and Safety	-	-	-	-	(33,281)	
Public Health and Safety	-	-	-	(174,785)	-	
Public Health and Safety	-	-	-	174,785	-	
Public Health and Safety	-	-	1,153,134	-	-	
Public Health and Safety	-	-	781,716	-	-	
Public Health and Safety	-	-	(43,131)	-	-	
Public Health and Safety	-	-	(148,506)	-	-	
Public Health and Safety	-	-	(30,774)	-	-	
Public Health and Safety	-	-	603,796	-	-	
Public Health and Safety	-	-	376,552	-	-	
Public Health and Safety	-	-	(243,704)	-	-	
Public Health and Safety	-	-	6,831	-	-	
Public Health and Safety	-	-	201,615	-	-	
Public Health and Safety	-	-	7,451	-	-	
Public Health and Safety	-	-	69,999	-	-	
Public Health and Safety	-	-	7,066	-	-	
Public Health and Safety	-	-	(115,704)	-	-	
Public Health and Safety	-	-	55,969	-	-	
Public Health and Safety	-	-	(843,723)	-	-	
Public Health and Safety	-	-	(815,940)	-	-	
Public Health and Safety	-	-	(55,180)	-	-	
Public Health and Safety	-	-	(244,820)	-	-	
Public Health and Safety	-	-	(640,000)	-	-	
Public Health and Safety	-	-	(20,000)	-	-	
Public Health and Safety	-	-	(41,596)	-	-	
Public Health and Safety	-	-	(21,051)	-	-	
<b>Progral Total</b>	<b>\$66,218,973</b>	<b>\$182,400</b>	<b>-</b>	<b>-</b>	<b>(\$54,558)</b>	<b>\$66,346,815</b>

### 2017 Biennium Difference Based on FY 2015 Legislative Base Budget

The following figure shows the 2017 biennium executive budget request compared to the 2015 biennium using the legislative base budget. The executive request is \$4.2 million higher in all categories except personal services and transfers. Transfers represent funds paid by one agency to another for services and are discussed in greater detail in the "Difference Between the FY 2014 Expenditures and the FY 2015 Legislative Base Budget". The executive includes continuation of the amount expended in FY 2014 for each year of the 2017 biennium. Personal services differences are discussed in greater detail in the Present Law Adjustments section.

Public Health and Safety Division Biennial Change Using FY 2015 Legislative Base Budget				
Budget/Fund	2015 Bien	2017 Bien	Difference	%
FTE	191.95	184.52	(7.43)	-3.9%
Personal Services	\$25,610,044	\$26,724,970	\$1,114,926	4.4%
Operating Exp.	28,744,920	25,155,790	(3,589,130)	-12.5%
Equipment	449,112	73,000	(376,112)	-83.7%
Grants	48,321,316	47,414,514	(906,802)	-1.9%
Benefits & Claims	29,312,554	28,079,826	(1,232,728)	-4.2%
Transfers	-	781,348	781,348	n/a
Total Costs	132,437,946	128,229,448	(4,208,498)	-3.2%
General Fund	7,576,992	7,728,397	151,405	2.0%
State Special	33,716,950	36,307,996	2,591,046	7.7%
Federal Special	91,144,004	84,193,055	(6,950,949)	-7.6%
Total Funds	\$132,437,946	\$128,229,448	(\$4,208,498)	-3.2%

The most significant differences between the legislative base budget and the executive request are:

- \$3.6 million in operating costs
  - The division shifted some costs from contracted services to grants to better reflect the use of funds and laboratory expenses were lower in the executive base budget than the FY 2015 legislative appropriation
- \$1.2 million in benefits
  - The executive budget continues the FY 2014 expenditure base for WIC nutrition services, which was lower than the FY 2015 appropriation
- \$0.9 million in grants
  - The shift in expenditures from operating costs to grant expenditures is offset by lower ongoing federal grant amounts, with reductions from sequestration in FY 2014 continuing into the 2017 biennium

Even though the legislative base budget exceeds the total annual budget request each year of the 2017 biennium, the executive budget request is \$2.6 million higher in state special revenue funding. Lower federal funds in the 2017 biennium request offset the state special revenue. This executive request includes increases for expanded tobacco use prevention, colorectal cancer screening, cardiovascular health and diabetes prevention, and asthma home visiting, all funded from tobacco settlement state special revenue. The executive request exceeds the level of tobacco settlement funds included in the FY 2015 legislative base budget.

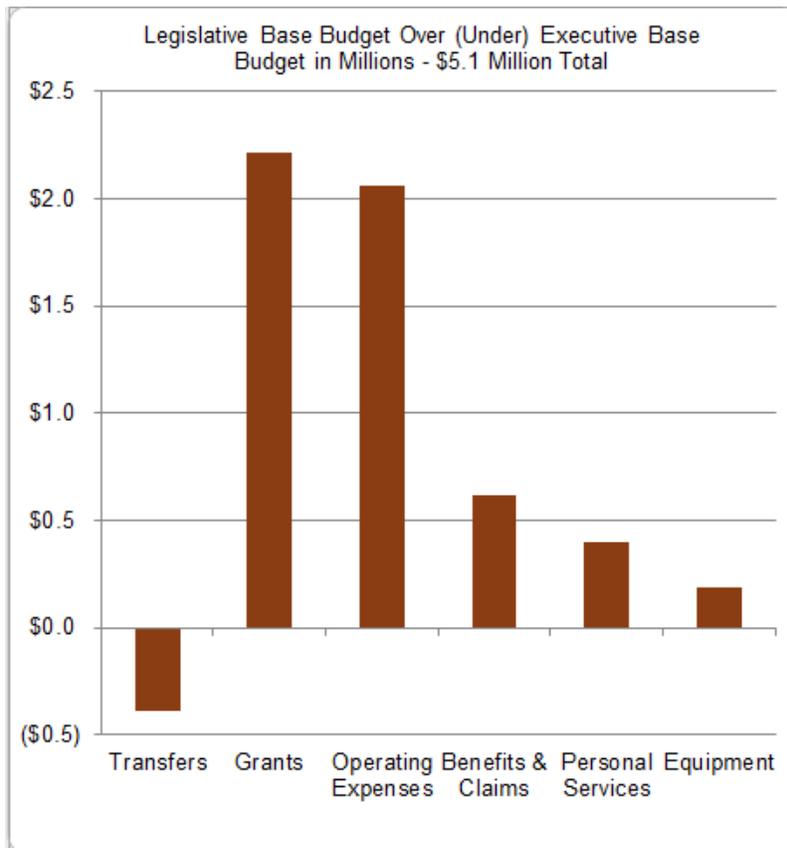
The executive request is \$0.2 million general fund more over the 2017 biennium and federal funds are \$7.0 million lower or about \$3.5 million per year. As noted previously, federal reductions are due to funding changes resulting from sequestration and in some cases combining grants and lowering the total amount of the new grant. Additionally, there were lower expenditures from some federal sources. Some of the major reductions and biennial amounts are:

- AIDS grants - \$1.0 million
- Maternal Child Health Block Grant - \$0.8 million
- Behavioral risk survey - \$0.8 million
- Title X family planning - \$0.8 million
- Bioterrorism - \$0.8 million

**Difference Between the FY 2014 Expenditures and the FY 2015 Legislative Base Budget**

The adjacent figure shows the major differences between the legislative base budget (FY 2015 appropriation with adjustments) and the executive base budget (FY 2014 expenditures). Although the legislative base is \$5.3 million higher than the executive base overall, it is \$0.4 million lower in transfers. There are transfer expenditures in the base budget to correctly account for interagency payments. PHSD pays the Department of Justice for legal services in conjunction with state participation in the tobacco settlement lawsuit and it pays the Department of Revenue for cigarette tax enforcement activities. This accounting change was implemented during the 2015 biennium interim so it is not in the 2015 legislative base budget.

- The legislative base budget is higher in the following areas for these reasons:
- The grant category is \$2.2 million higher since federal sequestration reduced certain federal categorical grants in 2013
- The operating cost category is \$2.0 million higher and equipment is \$0.2 million higher since the public health laboratory had fewer tests and work, and because some costs appropriated as as operating costs were expended as grants to comply with accounting guidelines
- The benefits and claims category is lower by about \$0.5 million since fewer persons applied for WIC nutrition benefits
- The personal services category is higher due to implementation of the second year of the pay plan and due to some vacancies in positions that were difficult to recruit in FY 2014



**Funding**

The following table shows proposed program funding by source from all sources of authority.

Public Health & Safety, 07-Public Health & Safety Div.					
Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,728,397	0	0	7,728,397	6.03 %
02199 DHES Food & Consumer	0	0	0	0	0.00 %
02366 Public Health Laboratory	6,527,441	0	0	6,527,441	17.98 %
02378 HTS DATA DEVELOPMENT	0	0	0	0	0.00 %
02379 02 Indirect Activity Prog 07	442,314	0	0	442,314	1.22 %
02419 Vital Statistics	860,212	0	0	860,212	2.37 %
02462 Food/Lodging License	2,217,096	0	0	2,217,096	6.11 %
02512 BRFS SURVEY FEES	170,555	0	0	170,555	0.47 %
02765 Fees on Insurance Policies - SB 275	2,605,200	0	0	2,605,200	7.18 %
02772 Tobacco Hlth & Medicaid Initiative	51,305	0	0	51,305	0.14 %
02773 Childrens Special Health Services	924,794	0	0	924,794	2.55 %
02790 6901-Statewide Tobacco Sttlmnt	20,561,698	0	0	20,561,698	56.63 %
02987 Tobacco Interest	1,947,381	0	0	1,947,381	5.36 %
<b>State Special Total</b>	<b>\$36,307,996</b>	<b>\$0</b>	<b>\$0</b>	<b>\$36,307,996</b>	<b>28.31 %</b>
03004 EMS Data Injury	254,670	0	0	254,670	0.30 %
03020 PH Workforce Development	0	0	0	0	0.00 %
03026 Family Planning Title X	3,845,781	0	0	3,845,781	4.57 %
03027 WIC (Women/Infants & Children)	19,803,917	0	0	19,803,917	23.52 %
03030 Health Prevention & Services	1,290,716	0	0	1,290,716	1.53 %
03031 Maternal & Child Health	4,840,797	0	0	4,840,797	5.75 %
03057 Newborn Hearing Screening	360,755	0	0	360,755	0.43 %
03105 MT Diabetes	0	0	0	0	0.00 %
03146 10.577 WIC BF PEER COUNSELING	146,364	0	0	146,364	0.17 %
03150 WIC CDC Surveillance	0	0	0	0	0.00 %
03159 Tuberculosis Grant	256,524	0	0	256,524	0.30 %
03198 BRFS Supplemental	0	0	0	0	0.00 %
03203 Strengthen PHI Component I	177,750	0	0	177,750	0.21 %
03246 WIC Admin	10,133,873	0	0	10,133,873	12.04 %
03253 Homeland Security Program	0	0	0	0	0.00 %
03273 Primary Care Services	193,610	0	0	193,610	0.23 %
03274 Ryan White Act Title II	1,749,687	0	0	1,749,687	2.08 %
03275 Adult Viral Hepatitis Prevent	18,060	0	0	18,060	0.02 %
03294 Primary Care Services ARRA	41,228	0	0	41,228	0.05 %
03310 ACA MDCD INCNT FOR PREV OF CD	149,357	0	0	149,357	0.18 %
03319 ACA Public Health Fund	382,858	0	0	382,858	0.45 %
03327 Afford Care Act MIECHVP Develop	0	0	0	0	0.00 %
03328 Afford Care Act MIECHVP Frmla	1,022,280	0	0	1,022,280	1.21 %
03334 ACA Community Transformation	1,593,509	0	0	1,593,509	1.89 %
03336 Food Inspection Program	108,079	0	0	108,079	0.13 %
03346 Highway Safety/EMS Cont	0	0	0	0	0.00 %
03362 Data Integration	215,030	0	0	215,030	0.26 %
03363 Mgmt Leadership Coordination	47,504	0	0	47,504	0.06 %
03366 EMSC SPROC	296,434	0	0	296,434	0.35 %
03370 EPI & Lab Surveillance E. Coli	352,120	0	0	352,120	0.42 %
03371 MT Arthritis	818,381	0	0	818,381	0.97 %
03380 CYSCHN	607,000	0	0	607,000	0.72 %
03392 Colorectal Cancer Screening	1,655,509	0	0	1,655,509	1.97 %
03396 Ryan White HIV Treatment	(34)	0	0	(34)	0.00 %
03399 Healthy Communities	0	0	0	0	0.00 %
03402 Addressing Asthma	488,239	0	0	488,239	0.58 %
03420 Early Hearing Deficit Intrv	309,302	0	0	309,302	0.37 %
03421 Obesity Prevention	0	0	0	0	0.00 %
03451 69010-CDP for BRFS	164,770	0	0	164,770	0.20 %
03466 PPHF Implement Immuniz Billing	0	0	0	0	0.00 %
03479 Biosense	0	0	0	0	0.00 %
03510 Heart Disease & Stroke Program	0	0	0	0	0.00 %
03535 WIC EBT Implementation	0	0	0	0	0.00 %
03541 State Loan Repayment Program	142,615	0	0	142,615	0.17 %
03596 03 Indirect Activity Prog 07	1,825,913	0	0	1,825,913	2.17 %
03689 6901-Bioter Hosp Preparedness	0	0	0	0	0.00 %
03690 6901-Rape Prev & Educ 93.126	208,824	0	0	208,824	0.25 %
03701 Economic Development FSR	0	0	0	0	0.00 %
03709 6901-Rural Access Emerg Device	0	0	0	0	0.00 %
03711 6901-Breast & Cervical Cancer	4,117,640	0	0	4,117,640	4.89 %
03712 6901-Cancer Registries 93.283	510,055	0	0	510,055	0.61 %
03713 6901-WIC Farmer Market 10.572	99,822	0	0	99,822	0.12 %
03788 Montana Disability and Health Progr	619,569	0	0	619,569	0.74 %
03796 Public Safety Communications	0	0	0	0	0.00 %

03822 Tobacco Control	1,874,894	0	0	1,874,894	2.23 %
03823 Oral Health Workforce	1,000,000	0	0	1,000,000	1.19 %
03827 Personal Resp Education Prgm	519,998	0	0	519,998	0.62 %
03829 PUB HLTH DIAB-HRTD-OBES-SCHLTH	3,562,609	0	0	3,562,609	4.23 %
03903 Emergency Preparedness	8,585,097	0	0	8,585,097	10.20 %
03904 Bioterr. Hospital Preparedness	2,911,826	0	0	2,911,826	3.46 %
03929 Seroprevalence/Surveillance	202,965	0	0	202,965	0.24 %
03933 Affordable Care Act ELC	604,898	0	0	604,898	0.72 %
03936 Vaccination Program	2,358,900	0	0	2,358,900	2.80 %
03937 STD Program	496,719	0	0	496,719	0.59 %
03938 Aids Fed. Cat. #13.118	1,769,273	0	0	1,769,273	2.10 %
03959 Bioterrorism	114,088	0	0	114,088	0.14 %
03969 Bunker Hill	804,740	0	0	804,740	0.96 %
03979 Comprehensive Cancer Control	538,540	0	0	538,540	0.64 %
<b>Federal Special Total</b>	<b>\$84,193,055</b>	<b>\$0</b>	<b>\$0</b>	<b>\$84,193,055</b>	<b>65.66 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$128,229,448</b>	<b>\$0</b>	<b>\$0</b>	<b>\$128,229,448</b>	

The 2017 biennium PHSD budget request is funded by general fund (6%), state special revenue (28%), and federal funds (66%). There are over 60 funding sources that support PHSD, with the majority being federal categorical grants that fund specific activities. The funding table lists each individual source that comprises at least 1% of division funding over the 2017 biennium. The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest
- Public health laboratory fees
- Insurance fees for a genetics program (\$1 annually for each Montana resident insured under any individual or group disability or health insurance policy)
- Licensing fees for food manufacturers or food sales establishments (5% of an annual license fee of \$115) and penalties for failure to renew licenses in a timely manner

<b>LFD COMMENT</b>	Tobacco Settlement and Tobacco Settlement Trust Income
	The tobacco settlement funds and income from the tobacco settlement trust fund support several functions across the department. These funding sources are discussed in the DPHHS Agency Budget Discussion.

Federal funding sources supporting PHSD functions are categorical grants governed by federal laws that specify allowable uses for each source. The single largest federal source supports the Women, Infants, and Children (WIC) nutrition program.

Some PHSD functions are supported by more than one fund. The following figure shows the major PHSD functions and the fund source(s) that support each.

Funding Sources for PHSD by Major Function			
Major Program/Function	General Fund	State	
		Special Revenue*	Federal Funds
Administration	x	x	x
Asthma, Diabetes, Cardiovascular Health		x	x
Behavioral Risk Factor Surveillance		x*	x
Cancer Control	x	x	x
Childrens Special Health Services		x	x
Communicable Disease and Epidemiology	x	x	x
Emergency Medical Services &Trauma Systems	x	x	x
Emergency Preparedness			x
Food and Consumer Safety	x	x*	x
Genetics		x	x
HIV & Sexually Transmitted Disease Prevention	x	x	x
Immunization	x	x	x
Maternal Child Health		x	x
Newborn Hearing Screening		x	
Public Health Home Visits	x	x	
Tobacco Prevention and Control		x	x
Vital Statistics	x	x*	
Women's and Men's Health	x		x
Women, Infant, & Children Nutrition Assistance		x	x

\*Sources of state special revenue include fee for service income.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	3,788,496	3,788,496	7,576,992	98.04 %	66,218,973	66,218,973	132,437,946	103.28 %
PL Adjustments	76,194	75,211	151,405	1.96 %	(2,444,161)	(2,444,337)	(4,888,498)	(3.81)%
New Proposals	0	0	0	0.00 %	340,000	340,000	680,000	0.53 %
<b>Total Budget</b>	<b>\$3,864,690</b>	<b>\$3,863,707</b>	<b>\$7,728,397</b>		<b>\$64,114,812</b>	<b>\$64,114,636</b>	<b>\$128,229,448</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	(48,911)	(336,044)	943,898	558,943	0.00	(50,550)	(335,150)	941,683	555,983
DP 99 - LEG. Present Law	0.00	125,105	1,290,054	(4,418,263)	(3,003,104)	0.00	125,761	1,292,186	(4,418,267)	(3,000,320)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$76,194</b>	<b>\$954,010</b>	<b>(\$3,474,365)</b>	<b>(\$2,444,161)</b>	<b>0.00</b>	<b>\$75,211</b>	<b>\$957,036</b>	<b>(\$3,476,584)</b>	<b>(\$2,444,337)</b>

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the following table includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	184.52	\$11,385	\$31,912	\$46,379	\$89,677
Executive Implementation of 2015 Pay Increase		28,122	78,665	119,620	226,406
Fully Fund 2015 Legislatively Authorized FTE		4,324	17,983	37,678	59,985
Other		(92,742)	(464,604)	740,221	182,875
<b>Personal Services Present Law Adjustments</b>	<b>184.52</b>	<b>(\$48,911)</b>	<b>(\$336,044)</b>	<b>\$943,898</b>	<b>\$558,943</b>
FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	184.51	\$11,385	\$31,911	\$46,376	\$89,672
Executive Implementation of 2015 Pay Increase		28,233	78,654	119,519	226,406
Fully Fund 2015 Legislatively Authorized FTE		4,324	17,983	37,678	59,985
Other		(94,492)	(463,698)	738,110	179,920
<b>Personal Services Present Law Adjustments</b>	<b>184.51</b>	<b>(\$50,550)</b>	<b>(\$335,150)</b>	<b>\$941,683</b>	<b>\$555,983</b>

The executive budget for personal services increases by about 4% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the table, the majority of the change is due to costs associated with HB 13 enacted by the 2013 Legislature. Other adjustments include:

- Longevity change
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year

The remainder noted as Other are funding differences between the FY 2015 legislative appropriation and the executive budget request. More of the personal services costs are supported by federal funds in the budget request than the legislative appropriation.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the Legislative Present Law (LGPL) adjustments.

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
DP 7001 - Tobacco Use Prevention Program	\$0	\$1,000,000	\$0	\$1,000,000
Other	125,105	290,054	(4,418,263)	(4,003,104)
<b>Legislative Present Law Adjustments</b>	<b>125,105</b>	<b>1,290,054</b>	<b>(4,418,263)</b>	<b>(3,003,104)</b>
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
DP 7001 - Tobacco Use Prevention Program	-	1,000,000	-	1,000,000
Other	125,761	292,186	(4,418,267)	(4,000,320)
<b>Legislative Present Law Adjustments</b>	<b>\$125,761</b>	<b>\$1,292,186</b>	<b>(\$4,418,267)</b>	<b>(\$3,000,320)</b>

DP 7001 - Tobacco Use Prevention Program - This present law adjustment would fund youth prevention, tobacco use cessation, and smoke-free housing activities. Base expenditures are estimated to be about \$4.8 million. This request is funded from Montana tobacco state special revenue.

Other Adjustment - The amount listed in the Other adjustment changes funding to adjust the base budget to the level of the executive request. However, there are also funding shifts included in the Other adjustment. As discussed in the Division Budget Narrative the FY 2015 base budget exceeds the executive budget request in federal funds due to changes in federal grant amounts. Legislative staff will work with executive branch staff to identify differences that cause the remaining funding shifts.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 707002 - CV Disease & Diabetes Prevention	0.00	0	100,000	0	100,000	0.00	0	100,000	0	100,000
DP 707003 - Asthma Home Visiting Program	0.00	0	90,000	0	90,000	0.00	0	90,000	0	90,000
DP 707004 - Colorectal Cancer Screening	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$340,000</b>	<b>\$0</b>	<b>\$340,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$340,000</b>	<b>\$0</b>	<b>\$340,000</b>

DP 707004 - Colorectal Cancer Screening -

This new proposal for the Colorectal Cancer Screening program requests \$300,000 for the biennium in state special revenue funds. This request will allow the agency to screen an additional 600 low-income adults for colorectal cancer.

DP 707002 - CV Disease & Diabetes Prevention -

This new proposal for the Cardiovascular Disease and Diabetes Prevention program requests \$100,000 in state special revenue funds each year of the biennium. This request will increase the number of Montana communities that have access to these prevention services.

DP 707003 - Asthma Home Visiting Program -

This new proposal for the Asthma Home Visiting program requests \$90,000 in each year of the biennium in state special revenue. This request will allow additional Montana communities to have access to this prevention service.

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	1,248.58	1,248.58	1,246.70	1,319.40	1,248.58	1,319.40	70.82	5.67 %
Personal Services	71,028,223	75,504,630	81,320,674	85,324,173	146,532,853	166,644,847	20,111,994	13.73 %
Operating Expenses	43,684,775	50,607,319	49,278,176	51,923,557	94,292,094	101,201,733	6,909,639	7.33 %
Equipment & Intangible Assets	175,110	218,553	175,110	175,110	393,663	350,220	(43,443)	(11.04)%
Grants	25,200,742	23,704,203	34,832,297	34,832,297	48,904,945	69,664,594	20,759,649	42.45 %
Benefits & Claims	1,199,407,681	1,281,262,063	1,403,796,302	1,497,001,322	2,480,669,744	2,900,797,624	420,127,880	16.94 %
Transfers	24,463	27,500	17,963	17,963	51,963	35,926	(16,037)	(30.86)%
Debt Service	218,583	193,907	221,682	227,151	412,490	448,833	36,343	8.81 %
<b>Total Costs</b>	<b>\$1,339,739,577</b>	<b>\$1,431,518,175</b>	<b>\$1,569,642,204</b>	<b>\$1,669,501,573</b>	<b>\$2,771,257,752</b>	<b>\$3,239,143,777</b>	<b>\$467,886,025</b>	<b>16.88 %</b>
General Fund	346,952,875	365,334,620	421,713,368	456,119,716	712,287,495	877,833,084	165,545,589	23.24 %
State/Other Special Rev. Funds	121,719,566	130,704,643	129,947,084	133,039,206	252,424,209	262,986,290	10,562,081	4.18 %
Federal Spec. Rev. Funds	871,067,136	935,478,912	1,017,981,752	1,080,342,651	1,806,546,048	2,098,324,403	291,778,355	16.15 %
<b>Total Funds</b>	<b>\$1,339,739,577</b>	<b>\$1,431,518,175</b>	<b>\$1,569,642,204</b>	<b>\$1,669,501,573</b>	<b>\$2,771,257,752</b>	<b>\$3,239,143,777</b>	<b>\$467,886,025</b>	<b>16.88 %</b>

### Mission Statement

Coordinate Medicaid and Health Services Programs to optimize efficient delivery of services.

### Agency Highlights

As shown in the main table, the 2017 biennium Health and Medicaid Services branch budget increases \$467.9 million over the 2015 request. Major changes include:

- Medicaid and HMK enrollment and service utilization increases
- Proposed provider rate increases
- The Governor's adult mental health initiative
- Facility inflation and operating cost increases

Each of these changes is reviewed in greater detail in the division budget discussions.

### Agency Discussion

The Health and Medicaid Services branch accounts for 81% of the 2017 biennium DPHHS budget request. Major programs included in the branch are Medicaid services, the Healthy Montana Kids (HMK) program, and six state facilities. Each division budget discussion includes a description of the major changes included in the executive budget request.

### Agency Personal Services

The executive request for personal services is discussed in greater detail each program as part of DP 99. This adjustment shows some of the personal services component parts for a more detailed understanding of the executive request. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

**Comparison of FY 2015 Legislative Base to FY 2015 Appropriation**

The differences between the FY 2015 appropriation as shown in the main table and the FY 2015 legislative appropriation used for purposes of the budget base are discussed in detail in each division within the Medicaid and Health Services branch. There is also a discussion in each division budget narrative of the differences between the FY 2015 legislative appropriation and FY 2014 expenditures, which were used as the executive base budget.

In general, the FY 2015 appropriation in the main table includes the following adjustments, while the FY 2015 legislative appropriation does not:

- One time appropriations
- Remainder of biennial appropriations
- Reorganizations and transfers of appropriation authority
- Adjustments of authority between appropriations and expenditure categories

The FY 2015 legislative appropriation includes the following adjustments while the FY 2015 appropriation in the main table does not:

- Annualization of pay plan changes for increases in health insurance
- Changes in longevity, workers' compensation costs, and payroll taxes
- Executive implementation of the pay plan
- Funding for positions that were vacant during FY 2014

**Funding**

The following table shows proposed agency funding by source of authority as proposed. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Medicaid and Health Services Branch Funding by Source of Authority 2017 Biennium Budget - Medicaid and Health Services Branch						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	877,833,084	0	0	877,833,084	27.02 %	
State Special Total	262,986,290	0	10,248,448	273,234,738	8.41 %	
Federal Special Total	2,098,324,403	0	0	2,098,324,403	64.58 %	
Proprietary Total	0	0	0	0	0.00 %	
Other Total	0	0	0	0	0.00 %	
<b>Total All Funds</b>	<b>\$3,239,143,777</b>	<b>\$0</b>	<b>\$10,248,448</b>	<b>\$3,249,392,225</b>		
<b>Percent - Total All Sources</b>	<b>99.68 %</b>	<b>0.00 %</b>	<b>0.32 %</b>			

The branch is funded predominantly with federal funds. General fund and state special revenue together are 35% of the total. Funding is discussed in greater detail in each division.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	365,164,837	365,164,837	730,329,674	83.20 %	1,431,302,999	1,431,302,999	2,862,605,998	88.38 %
PL Adjustments	42,406,059	62,390,066	104,796,125	11.94 %	105,830,682	173,302,633	279,133,315	8.62 %
New Proposals	14,142,472	28,564,813	42,707,285	4.87 %	32,508,523	64,895,941	97,404,464	3.01 %
<b>Total Budget</b>	<b>\$421,713,368</b>	<b>\$456,119,716</b>	<b>\$877,833,084</b>		<b>\$1,569,642,204</b>	<b>\$1,669,501,573</b>	<b>\$3,239,143,777</b>	

**Language and Statutory Authority -**

The executive proposes the following language be included in HB2:

"County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the Office Budget and Program Planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 each year from counties participating in the intergovernmental transfer program for nursing facilities."

"First Step may only be used as follows: peer support services (\$700,000 in general fund money each year); crisis intervention team (\$50,000 in general fund money each year); 72-hour crisis intervention (\$500,000 in in general fund money in fiscal year 2016 and \$750,000 in general fund money in fiscal year 2017); drop-in centers (\$193,769 in general fund money each year); housing re-entry (\$315,000 in general fund money each year); county matching grants for HB 130 services (\$360,000 in general fund money each year); secure crisis beds for HB 131 services (\$200,000 in general fund money each year); contracted forensic psychologists (\$180,000 in general fund money each year), Medicaid benefit funding switch (\$1,049,904 in general fund money each year), supported employment services (\$420,000 in federal special revenue each year), dementia wing personal services and operating costs at the Montana Mental Health Nursing Care Center (\$2,005,057 in general fund money in fiscal year 2017), and forensic safety upgrade personal services and operating costs at Montana State Hospital (\$2,980,827 in general fund money in fiscal year 2017).

First Step is void if appropriations totaling \$7,352,954 for renovations and equipment at Montana State Hospital and Montana Mental Health Nursing Care Center are not approved."

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	353.67	353.67	349.67	349.67	353.67	349.67	(4.00)	(1.13)%
Personal Services	18,012,883	18,228,857	20,806,672	20,754,474	36,241,740	41,561,146	5,319,406	14.68 %
Operating Expenses	5,568,783	7,020,870	5,616,175	5,618,811	12,589,653	11,234,986	(1,354,667)	(10.76)%
Benefits & Claims	234,604,673	262,664,408	274,437,801	293,990,271	497,269,081	568,428,072	71,158,991	14.31 %
Debt Service	37,932	0	37,932	37,932	37,932	75,864	37,932	100.00 %
<b>Total Costs</b>	<b>\$258,224,271</b>	<b>\$287,914,135</b>	<b>\$300,898,580</b>	<b>\$320,401,488</b>	<b>\$546,138,406</b>	<b>\$621,300,068</b>	<b>\$75,161,662</b>	<b>13.76 %</b>
General Fund	78,774,795	86,453,802	94,194,047	99,696,616	165,228,597	193,890,663	28,662,066	17.35 %
State/Other Special Rev. Funds	6,632,940	6,632,940	6,632,940	6,632,940	13,265,880	13,265,880	0	0.00 %
Federal Spec. Rev. Funds	172,816,536	194,827,393	200,071,593	214,071,932	367,643,929	414,143,525	46,499,596	12.65 %
<b>Total Funds</b>	<b>\$258,224,271</b>	<b>\$287,914,135</b>	<b>\$300,898,580</b>	<b>\$320,401,488</b>	<b>\$546,138,406</b>	<b>\$621,300,068</b>	<b>\$75,161,662</b>	<b>13.76 %</b>

**Program Description**

The Developmental Services Division (DSD) assists Montanans with disabilities and children with mental health needs to live, work, and participate in their communities. The division includes the Developmental Disabilities Program, the Montana Developmental Center, and the Children’s Mental Health Bureau. The division provides or contracts for institutional care, inpatient care, residential services, home and community based services, and case management.

The Developmental Disabilities Program operates three home and community based Medicaid waivers, the state’s IDEA early intervention program, and the state facility for behavioral treatment at the Montana Developmental Center in Boulder. These services include transportation, residential and work habilitation, adaptive equipment, and some medical services not covered by the state Medicaid plan.

The Children’s Mental Health Bureau manages a continuum of services to address the needs of youth with serious emotional disturbance and their families. These services are funded by Medicaid and offered by Medicaid enrolled providers. In addition, the bureau builds linkages to other child serving agencies to support the development of a system of care for youth.

Statutory Title 53, MCA, 29 U.S.C. 721 et. seq., 29 U.S.C. 796, et. seq., 29 U.S.C. 774, 29 U.S.C. 777b, 29 U.S.C. 2201 et. seq., 42 U.S.C. 75, 6602, 72 U.S.C. 1300, 42 CFR 441.302(b), 42 CFR 441.302(g), 45 CFR 74.62, and 34 CRF Part 303.

**Program Highlights**

<b>Developmental Services Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• Major factors driving growth in expenditures are:                             <ul style="list-style-type: none"> <li>◦ Caseload adjustments for core children's mental health and developmental disabilities, as well as, comprehensive school and community treatments programs</li> <li>◦ Proposed autism services for eligible youth</li> <li>◦ Proposed provider rate increases for children's mental health and developmental disability services</li> </ul> </li> </ul>

**Program Discussion -**

**Comparison of FY2015 Legislative Base to FY2015 Appropriation**

Developmental Services Division FY 2015 Executive and Legislative Appropriations			
Category	Legislative Appropriation	Difference Exec/Leg	Total Executive Implementation
Personal Services	\$18,228,857	\$0	\$18,228,857
Operating Expenses	\$7,020,870	\$0	\$7,020,870
Benefits and Claims	<u>\$262,623,531</u>	<u>\$40,877</u>	<u>\$262,664,408</u>
<b>Total Costs</b>	<b>\$287,873,258</b>	<b>\$40,877</b>	<b>\$287,914,135</b>

A program transfer totaling \$40,877 from the Addictive and Mental Disorders Division (AMDD) placed a resident out of the Montana State Hospital (MSH) and into community placement within Developmental Disabilities Division (DSD).

**Comparison of FY 2014 Legislative Appropriation to FY 2014 Actual Expenditures**

Developmental Services Division FY 2014 Legislative Appropriation and Actual Expendature			
Category	Legislative Appropriation	Difference Approp/Actual	Total Executive Implementation
Personal Services	\$17,476,876	\$536,007	\$18,012,883
Operating Expenses	\$6,998,666	(\$1,429,883)	\$5,568,783
	\$37,932		\$37,932
Benefits and Claims	<u>\$242,027,282</u>	<u>(\$7,422,609)</u>	<u>\$234,604,673</u>
<b>Total Costs</b>	<b>\$266,540,756</b>	<b>(\$8,316,485)</b>	<b>\$258,224,271</b>

The above table shows a difference in the FY 2014 appropriation to the executive implementation of approximately \$8.3 million. The majority of this difference was due to non-expenditures in Medicaid waiver services. Specifically, DSD had lower expenditures than anticipated in Medicaid due to:

- Expected transfers out of the Montana Developmental Center did not occur as projected (13 transfers as compared to 24 that were budgeted)
- Federal guideline changes that yielded a temporarily delay for new enrollees in the Developmental Disability waiver

**Funding**

The following table shows proposed program funding by source from all sources of authority.

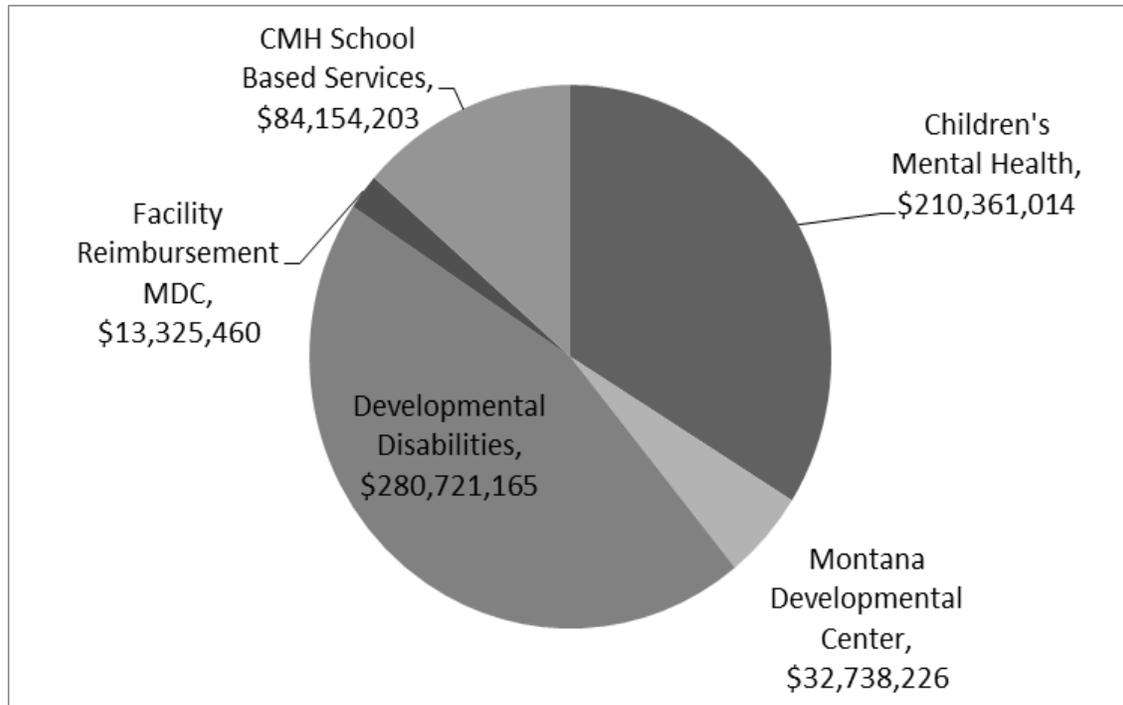
Medicaid and Health Services Branch, 10-Developmental Services Division Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	193,890,663	0	0	193,890,663	31.11 %
02035 MDC Vocational	0	0	0	0	0.00 %
02310 MDC Bond Repayment Revenue	0	0	1,990,026	1,990,026	13.04 %
02597 Montana Healthy Kids Initiative	2,309,508	0	0	2,309,508	15.14 %
02772 Tobacco Hlth & Medicd Initiative	9,366,266	0	0	9,366,266	61.39 %
02987 Tobacco Interest	1,590,106	0	0	1,590,106	10.42 %
<b>State Special Total</b>	<b>\$13,265,880</b>	<b>\$0</b>	<b>\$1,990,026</b>	<b>\$15,255,906</b>	<b>2.45 %</b>
03237 Alternative to Psych Treatment Fac	0	0	0	0	0.00 %
03513 CHIPRA Bonus	0	0	0	0	0.00 %
03520 MT Capacity Building Project	0	0	0	0	0.00 %
03556 84.181 - Part H - Early Interv	3,785,368	0	0	3,785,368	0.91 %
03579 93.667 - SSBG - Benefits	9,009,404	0	0	9,009,404	2.18 %
03580 6901-93.778 - Med Adm 50%	5,200,904	0	0	5,200,904	1.26 %
03583 93.778 - Med Ben Fmap	389,199,532	0	0	389,199,532	93.98 %
03599 03 Indirect Activity Prog 10	6,948,317	0	0	6,948,317	1.68 %
<b>Federal Special Total</b>	<b>\$414,143,525</b>	<b>\$0</b>	<b>\$0</b>	<b>\$414,143,525</b>	<b>66.44 %</b>
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>
<b>Total All Funds</b>	<b>\$621,300,068</b>	<b>\$0</b>	<b>\$1,990,026</b>	<b>\$623,290,094</b>	

The division is organized and funded by three major programs.

- Children’s Mental Health Bureau (CMHB) - CMHB is responsible for providing mental health services for youth enrolled in Medicaid. It is funded almost entirely with federal Medicaid funds and associated matching state funds at the Federal Medical Assistance Program (FMAP) rate. Also administered under CMHB is the Children's Mental Health School Based Services (CMHSBS), which provides school based mental health services for seriously emotional disturbed youth (SED). Funding for CMHSBS is provided by medicaid federal dollars matched by local school district funds.
- Montana Developmental Center (MDC) - MDC is the State of Montana facility for seriously developmentally disabled persons. MDC is the institution of last resort for civil and criminal commitments. MDC is entirely funded with general fund. However, eligible services are billed to Medicaid at the federal match and captured into the MDC Medicaid Services program, which requires bond payments be made first for MDC with the remaining balance returned to the general fund.
- Developmental Disabilities Program (DDP) - DDP contracts with private and non-profit organizations to provide services to individuals with developmental disabilities. DDP is funded mostly with federal Medicaid funds and associated matching state funds at the FMAP rate. DDP also receives funding from federal Social Services block grants

The following chart shows the total division expenditure by program for the 2017 biennium.

Total Development Services Division Budget Request - \$621.3 million



For the 2015 biennium, DSD had offered three Medicaid waiver programs : (1) The Comprehensive Services Waiver, (2) The Community Supports Waiver, (3) The Children's Autism Waiver. The division has proposed integrating the Community Supports Waiver into the Comprehensive Waiver for the 2017 biennium. Other waiver details are as follows:

- The Comprehensive Services waiver will serve about 2,600 persons. Currently there are 635 people on the waiting list. The average cost is about \$43,000 per person per year, while cost plans ranged as high as \$330,000 per person per year and as low as \$1,700 per person per year
- Children's Autism Waiver is limited to 55 children between 15 months and 5 years old; children are served for a maximum of three years. Currently, 88 children are on the waiting list. The average cost plan is \$43,000 per child per year

**LFD COMMENT**

Montana Developmental Center and SB 43 (2013)

SB 43 was established by the 2013 Legislature and required the Department of Justice (DOJ) to investigate and substantiate abuse, neglect, or injury at the Montana Developmental Center (MDC). In support of SB

43, DOJ was appropriated \$194,128 and 1.00 FTE. This funding was actually a transfer out of the MDC budget. Given the diversity of referrals, the amount of information, and the mandated 5 day or less investigation period, DOJ found it necessary to acquire an additional 0.50 FTE through the emergency hire process. The current executive budget does not request the additional 0.50 FTE currently supporting SB 43.

Another resource consideration is that fact that MDC is also strained in supporting the DOJ investigative process. Not only is MDC currently performing their own investigations, they are also supporting the DOJ in their independent investigative efforts. This has placed additional requirements for resources supporting administration, scheduling, and client/staff interviews.

If the number of investigative referrals does not decline, the program will be inadequately staffed to meet the requirements of SB 43. The legislature may wish to consider a revisit of SB 43 to clarify intent and adjust resources as necessary.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	86,403,724	86,403,724	172,807,448	89.13 %	287,873,258	287,873,258	575,746,516	92.67 %
PL Adjustments	4,321,969	6,989,808	11,311,777	5.83 %	2,395,629	13,129,764	15,525,393	2.50 %
New Proposals	3,468,354	6,303,084	9,771,438	5.04 %	10,629,693	19,398,466	30,028,159	4.83 %
<b>Total Budget</b>	<b>\$94,194,047</b>	<b>\$99,696,616</b>	<b>\$193,890,663</b>		<b>\$300,898,580</b>	<b>\$320,401,488</b>	<b>\$621,300,068</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	1,859,917	7,686	710,212	2,577,815	0.00	1,807,008	7,691	710,918	2,525,617
DP 99 - LEG. Present Law	0.00	2,462,052	(7,226)	(2,637,012)	(182,186)	0.00	5,182,800	(7,231)	5,428,578	10,604,147
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,321,969</b>	<b>\$460</b>	<b>(\$1,926,800)</b>	<b>\$2,395,629</b>	<b>0.00</b>	<b>\$6,989,808</b>	<b>\$460</b>	<b>\$6,139,496</b>	<b>\$13,129,764</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. The below table summarizes personal services present law (PSPL)

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	349.67	140,465	59	29,416	\$169,940
Executive Implementation of 2015 Pay Increase		271,591	128	69,268	340,987
Fully Fund 2015 Legislatively Authorized FTE		36,771	-	17,816	54,587
Other		1,408,216	7,499	596,586	2,012,302
<b>Personal Services Present Law Adjustments</b>	<b>349.67</b>	<b>\$1,857,043</b>	<b>\$7,686</b>	<b>\$713,086</b>	<b>\$2,577,815</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	349.67	140,465	59	29,416	\$169,940
Executive Implementation of 2015 Pay Increase		271,588	127	69,271	340,987
Fully Fund 2015 Legislatively Authorized FTE		36,771	-	17,816	54,587
Other		1,355,301	7,505	597,298	1,960,104
<b>Personal Services Present Law Adjustments</b>	<b>349.67</b>	<b>\$1,804,125</b>	<b>\$7,691</b>	<b>\$713,801</b>	<b>\$2,525,617</b>

The “other” category in the above chart is driven primarily by the division's current vacancy rate of about 10%. Full funding of vacant positions would account for roughly \$1.8 million per year. Requested salary adjustments for the biennium make up the balance in personal service adjustments.

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including present law adjustments for inflation and fixed costs

<u>Legislative Present Law Adjustments</u>				
FY 2016				
	General Fund	State Special	Federal Special	Total Funds
CP 99 Item				
Other	2,462,052	(4,352)	(2,639,886)	(182,186)
Legislative Present Law Adjustments	\$2,462,052	(\$4,352)	(\$2,639,886)	(\$182,186)
FY 2017				
	General Fund	State Special	Federal Special	Total Funds
CP 99 Item				
Other	5,182,811	(4,356)	5,425,692	10,604,147
Legislative Present Law Adjustments	\$5,182,811	(\$4,356)	\$5,425,692	\$10,604,147

The Legislative Present Law Adjustment for the biennium includes such items as:

- Children’s mental health caseload adjustment and FMAP increase of approximately \$13.9 million general fund and \$26.8 million in total funding
- Developmental disabilities caseload adjustment and FMAP changes that increase general fund by \$0.9 million and decrease federal funding by \$3.9 million
- FMAP and caseload updates for children’s mental health school based services increase general fund by \$0.6 million and decrease federal funding by \$4.2 million
- Developmental disabilities autism waver adjustment - \$0.5 million
- Facility reimbursement increase - \$1.1 million
- Reductions in children’s mental health benefits and grants - \$0.8 million

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1010017 - Med Ben Medicaid Autism Services	0.00	1,655,570	0	3,122,410	4,777,980	0.00	2,605,891	0	4,837,384	7,443,275
DP 1010018 - MDC Community Placements	0.00	195,415	0	368,552	563,967	0.00	385,706	0	715,996	1,101,702
DP 1010019 - PRI - Med Ben DD Waiver	0.00	804,453	0	1,517,201	2,321,654	0.00	1,624,995	0	3,064,746	4,689,741
DP 1010020 - PRI Med Ben DD TCM	0.00	29,301	0	55,261	84,562	0.00	59,731	0	111,084	170,815
DP 1010021 - PRI DDP Non-Medicaid	0.00	82,976	0	71,511	154,487	0.00	167,612	0	144,453	312,065
DP 1010022 - PRI Med Ben Children's Mental Health	0.00	669,990	0	1,263,604	1,933,594	0.00	1,397,239	0	2,597,717	3,994,956
DP 1010023 - PRI CMH Federal Only	0.00	0	0	762,800	762,800	0.00	0	0	1,624,002	1,624,002
DP 1010024 - PRI CMH Non-Medicaid	0.00	30,649	0	0	30,649	0.00	61,910	0	0	61,910
<b>Total</b>	<b>0.00</b>	<b>\$3,468,354</b>	<b>\$0</b>	<b>\$7,161,339</b>	<b>\$10,629,693</b>	<b>0.00</b>	<b>\$6,303,084</b>	<b>\$0</b>	<b>\$13,095,382</b>	<b>\$19,398,466</b>

DP 1010019 - PRI - Med Ben DD Waiver -

Provider Rate Increase Developmental Disability Waiver - This new proposal requests a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Waiver Services. The request includes \$2,429,448 in general fund.

<b>LFD COMMENT</b>	<b>4% Provider Rate Increase in 2015 Biennium</b>
<p>The 2013 Legislature approved a 4% provider rate increase for services for FY 2014 and FY 2015. Language required that 2% of the provider increase came from a reduction of general fund from MDC. This request adds an additional 2% to provider rates. This is an ongoing requirement of general fund dollars, and as service levels change, so will general fund commitment.</p>	

DP 1010023 - PRI CMH Federal Only -

This new proposal requests a 2% provider rate increase in each year of the biennium for children's mental health school-based services. The request includes \$2,386,802 in federal funds.

<b>LFD COMMENT</b>	Matching funds will be provided by local school districts
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DP 1010020 - PRI Med Ben DD TCM -

Provider Rate Increase Targeted Case Management - This new proposal requests a 2% provider rate increase in each year of the biennium for developmental disabilities targeted case management. The request includes \$89,032 in general fund.

DP 1010018 - MDC Community Placements -

This executive requests funds, including \$581,121 in general fund, to provide community placements for 7 people from MDC each year for a total of 14 placements in the 2017 Biennium. The average cost plan during FY 2015 for individuals

from MDC transitioning to community services is estimated at \$157,386. These individuals would be placed into the DDP 0208 Waiver and receive on-going services.

**LFD COMMENT**      **Transition Success of MDC Clients into the Community**

As of mid FY 2015, 24 MDC clients have been transferred to the community. The 2013 Legislature had requested that a total of 48 be made for FY 2014 and FY 2015. As the population of MDC changes the Legislature may wish to further clarify who can be transferred and whom may be appropriately placed in MDC.

The following table shows the executive request for provider rate increase, MDC, and Autism new proposal by General Fund and Medicaid for the biennium.

General Fund and Medicaid - Biennial Summary					
	FY 2016 General Fund	FY 2016 Medicaid Funds	FY 2017 General Fund	FY 2017 Medicaid Funds	Biennial Total
<b>Autism/MDC</b>					
1010017	\$1,655,570	\$3,122,410	\$2,605,891	\$4,837,384	\$12,221,255
1010018	<u>\$195,415</u>	<u>\$368,552</u>	<u>\$385,706</u>	<u>\$715,996</u>	<u>\$1,665,669</u>
	\$1,850,985	\$3,490,962	\$2,991,597	\$5,553,380	\$13,886,924
<b>PRI</b>					
1010019	\$804,453	\$1,517,201	\$1,624,995	\$3,064,746	\$7,011,395
1010020	\$29,301	\$55,261	\$59,731	\$111,084	\$255,377
1010021	\$82,976	\$0	\$167,612	\$0	\$250,588
1010022	\$669,990	\$1,263,604	\$1,397,239	\$2,597,717	\$5,928,550
1010023	\$0	\$762,800	\$0	\$1,624,002	\$2,386,802
1010024	<u>\$30,649</u>	<u>\$0</u>	<u>\$61,910</u>	<u>\$0</u>	<u>\$92,559</u>
	\$1,617,369	\$3,598,866	\$3,311,487	\$7,397,549	\$15,925,271
<b>Total</b>	<u>\$3,468,354</u>	<u>\$7,089,828</u>	<u>\$6,303,084</u>	<u>\$12,950,929</u>	<u>\$29,812,195</u>

In total, the provider rate increase for the biennium require \$9.8 million in general fund and are married by \$20.8 million in federal funds. DP 1010021 and DP 1010024 are non-Medicaid provider rate increases therefore no Medicaid is available.

**LFD COMMENT**      The Legislature may wish to discuss the impact of the provider rate increases regarding the availability or quality of services for consumers. The \$29.8 million investment for proposed rate increases should have a measurable return for consumers. While \$29.8 million is not a large percentage of the total Developmental Service Division's budget, a return on investment should be recognized, such as improved access or quality of care.

DP 1010024 - PRI CMH Non-Medicaid -

This new proposal requests a 2% provider rate increase in each year of the biennium for Children's Mental Health Non-Medicaid. This change package seeks \$92,559 in general fund for the biennium.

DP 1010021 - PRI DDP Non-Medicaid -

This new proposal requests a 2% provider rate increase in each year of the biennium for the Developmental Disabilities program, non-Medicaid. The request includes \$250,588 in general fund.

DP 1010017 - Med Ben Medicaid Autism Services -

This executive requests \$12,221,255 in total funds for the 2017 biennium including \$4,261,461 in general fund to finance Medicaid autism services for eligible youth through age 20. These services would replace most of the autism waiver currently limit services to 55 children.

DP 1010022 - PRI Med Ben Children's Mental Health -

This new proposal requests a 2% provider rate increase in each year of the biennium for Children's Mental Health in the Developmental Services Division. This change package seeks \$5,928,550 in total funds with \$2,067,229 in general fund.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	54.00	54.00	51.62	51.62	54.00	51.62	(2.38)	(4.41)%
Personal Services	2,941,704	3,591,880	3,783,548	3,781,330	6,533,584	7,564,878	1,031,294	15.78 %
Operating Expenses	9,569,124	8,777,561	10,261,158	10,286,516	18,346,685	20,547,674	2,200,989	12.00 %
Benefits & Claims	640,048,260	659,061,176	749,275,017	803,567,697	1,299,109,436	1,552,842,714	253,733,278	19.53 %
<b>Total Costs</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$763,319,723</b>	<b>\$817,635,543</b>	<b>\$1,323,989,705</b>	<b>\$1,580,955,266</b>	<b>\$256,965,561</b>	<b>19.41 %</b>
General Fund	136,047,384	137,311,959	169,125,480	184,746,330	273,359,343	353,871,810	80,512,467	29.45 %
State/Other Special Rev. Funds	67,041,676	69,165,712	72,298,529	74,155,299	136,207,388	146,453,828	10,246,440	7.52 %
Federal Spec. Rev. Funds	449,470,028	464,952,946	521,895,714	558,733,914	914,422,974	1,080,629,628	166,206,654	18.18 %
<b>Total Funds</b>	<b>\$652,559,088</b>	<b>\$671,430,617</b>	<b>\$763,319,723</b>	<b>\$817,635,543</b>	<b>\$1,323,989,705</b>	<b>\$1,580,955,266</b>	<b>\$256,965,561</b>	<b>19.41 %</b>

### Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (formerly the Children's Health Insurance Program), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary, and acute care services. Major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements and reports necessary to allow division management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The division strives to provide superior customer service in a respectful, fair, and timely manner.

The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families.

The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty.

Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

### Program Highlights

**Health Resources Division  
Major Budget Highlights**

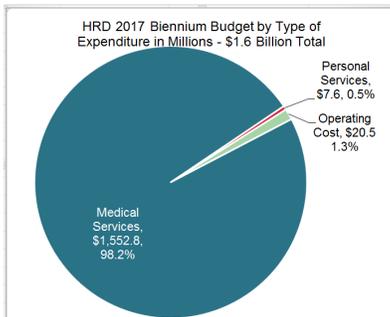
- The 2017 biennium Health Resources Division (HRD) budget is \$257.0 million, including \$80.5 million general fund, higher than the 2015 biennium budget due to:
  - Medicaid enrollment and service utilization increases and changes in the state match rate - \$194.3 million total funds, including \$70.9 million general fund
  - Enrollment and cost growth in the component of Healthy Montana Kids funded from the federal Children's Health Insurance Program grant - \$46.8 million total funds, including \$3.9 million general fund
  - A 2% annual provider rate increase - \$19.8 million, including \$6.3 million general fund
- The biennial difference for HRD using the FY 2015 legislative base budget is \$238.1 million total funds, including \$79.2 million general fund
  - The FY 2015 legislative base budget is \$18.1 million total funds, including \$1.3 million general fund, higher than the FY 2014 base budget used to develop the executive budget
  - The most significant difference between the two base budgets is the legislatively authorized funding increases for Medicaid services costs between FY 2014 expenditures and the FY 2015 appropriation

**Major LFD Issues**

- The Children's Health Insurance Program (CHIP) will not continue beyond September 30, 2015 without Congressional action to reauthorize it
  - The executive budget includes continued funding for CHIP
- The Affordable Care Act authorizes a 23% increase in the federal CHIP match rate, which would be effective October 1, 2015 if CHIP is reauthorized
  - The executive budget does not include the CHIP federal match rate change, which would lower the required state special revenue matching funds by up to \$50.2 million over the 2017 biennium
  - The legislature could use the freed up state special revenue to offset and replace general fund appropriated in HB 2 as state Medicaid match for other enrollees in the Healthy Montana Kids plan
- Enrollment increases in the CHIP component of the Healthy Montana Kids program appear to be overstated based on current enrollment trends
- The fund balance of the health and Medicaid initiatives state special revenue account, which funds multiple divisions in DPHHS including HRD, is not adequate to fund the executive budget request with an estimated shortfall of \$4.5 million over the biennium

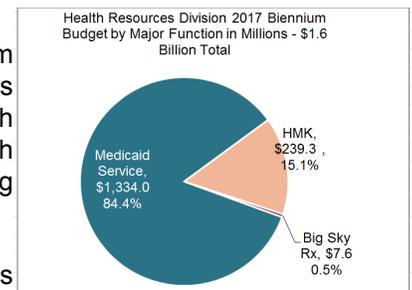
**Division Budget Discussion**

The Health Resources Division (HRD) 2017 biennium budget is \$1.6 billion. The figure on the left shows the HRD budget request by major type of expenditure.

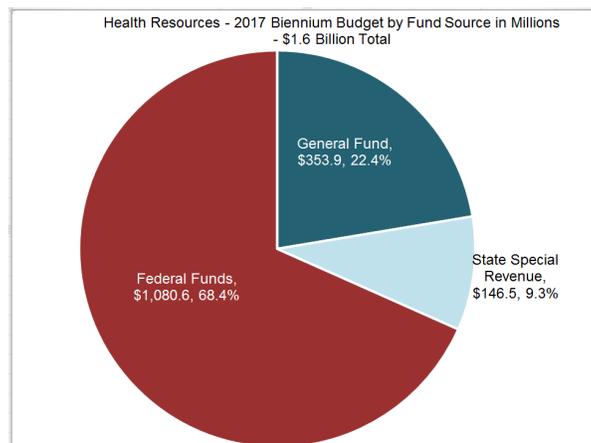


The vast majority – 98% - of the HRD budget request supports payments for medical services. Operating costs are just over 1% and personal services are less than 1% of the total. Other divisions include personal services and operating costs that support administration of some HRD programs. For instance, eligibility determination for Medicaid and Healthy Montana Kids (HMK) services is managed by the Human and Community Services Division, and funding for MMIS (Medicaid Management Information System) claims payment is budgeted in the Technology Services Division.

The figure on the right shows the HRD 2017 biennium budget request by major function. Medicaid services are 84% of the budget, while HMK services funded from the federal Children’s Health Insurance Program (CHIP grant) are about 15% of the total. Big Sky Rx, a program which helps low-income Medicare eligible persons pay the premium cost for Medicare Part drug coverage, is less than 1% of the total.



The figure below shows the 2017 biennium funding by major fund type. General fund is about 22% of the total and is used to pay the state Medicaid match and some of the state match for the federal CHIP grant.



State special revenue is about 9% of the total and includes several sources of revenue. State special revenue is used to pay the state match for Medicaid and CHIP, and it fully funds the Big Sky Rx program.

Federal funds include Medicaid and CHIP funds. Medicaid is an entitlement fund source, meaning that the federal government will match all allowable costs. CHIP is funded from a fixed federal grant. The state has three years to spend each individual year grant. The amount of funding requested by individual source is shown in the Funding section and there is more detailed discussion about selected funding sources.

**Biennial Change Based on FY 2015 Legislative Budget**

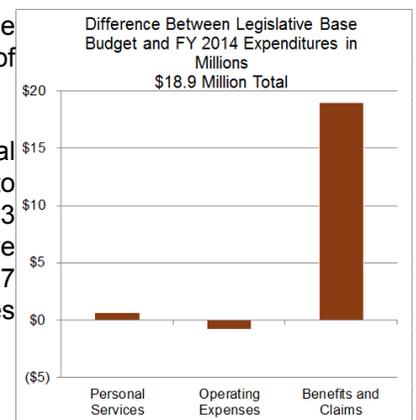
The main table shown at the beginning of the HRD budget analysis calculates the 2017 biennium change using FY 2014 expenditures and the FY 2015 appropriation compared to the executive budget request. However, the legislative budget analysis is based on the FY 2015 appropriation in HB 2 and selected other bills, with adjustments to reflect the annual cost of legislative appropriations for the pay plan. The figure below shows the 2017 biennium budget request compared to the legislative FY 2015 legislative base budget. Using the FY 2015 appropriation as a base budget lowers the biennial

change from \$257.0 million to \$238.1 million. The FY 2015 legislative appropriation is equal to the FY 2015 appropriation as implemented by the executive.

Health Resources Division Biennial Change Using FY 2015 Legislative Base Budget								
Expend/Fund	FY 2015 Leg		FY 2016	FY 2017	2015 Bien	2017 Bien	Difference	%
	Base							
FTE	54.00	51.62	51.62	51.62	54.00	51.62	(2.38)	-4.4%
Personal Services	\$3,591,880	\$3,783,548	\$3,781,330	\$7,183,760	\$7,564,878	\$381,118	5.3%	
Operating Expenses	8,777,561	10,261,158	10,286,516	17,555,122	20,547,674	2,992,552	17.0%	
Benefits and Claims	<u>659,061,176</u>	<u>749,275,017</u>	<u>803,567,697</u>	<u>1,318,122,352</u>	<u>1,552,842,714</u>	<u>234,720,362</u>	<u>17.8%</u>	
Total Expenditures	671,430,617	763,319,723	817,635,543	1,342,861,234	1,580,955,266	238,094,032	17.7%	
General Fund	137,311,959	169,125,480	184,746,330	274,623,918	353,871,810	79,247,892	28.9%	
State Special Revenue	69,165,712	72,298,529	74,155,299	138,331,424	146,453,828	8,122,404	5.9%	
Federal Funds	464,952,946	521,895,714	558,733,914	929,905,892	1,080,629,628	150,723,736	16.2%	
Total	\$671,430,617	\$763,319,723	\$817,635,543	\$1,342,861,234	\$1,580,955,266	\$238,094,032	17.7%	

**Legislative Base Budget Compared to FY 2014 Expenditures**

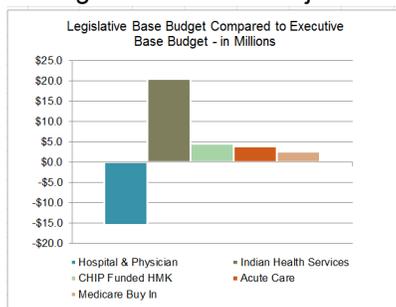
The legislative base budget is \$18.9 million higher than FY 2014 expenditures. The adjacent figure shows the differences between the two fiscal years by type of expenditure.



The most significant difference is in benefits and claims, which are payments for medical services for eligible persons. The legislative base budget is \$19.1 higher due to enrollment and service utilization increases in Medicaid and HMK anticipated by the 2013 Legislature, which appropriated more funds in FY 2015 than FY 2014. The legislative base budget for personal services is slightly higher than FY 2014 expenditures - \$0.7 million, while operating costs are lower by about \$0.8 million. Personal services differences are discussed in more detail in the "Present Law Adjustments" section.

**Differences in Benefits and Claims**

The figure shows the major differences between the legislative base budget and FY 2014 expenditures in benefits and claims. Although the legislative base is higher overall, it is \$15.4 million lower in hospital and physician Medicaid services than FY 2014 expenditures. The biggest difference is in hospital services, which exceeded the amount originally appropriated by the legislature in FY 2014 by \$18.0 million. Each of the differences between the legislative base and FY 2014 expenditures is discussed in greater detail and in relationship to the 2017 executive budget request.



**LFD COMMENT**

**Reasons for Hospital Cost Growth**

DPHHS staff provided information to the interim Legislative Finance Committee regarding the reasons for hospital services cost growth. Reasons cited include:

- An increase in the number of eligible Medicaid recipients due to implementation of the Affordable Care Act (shown in the graph below)
- An increase in patient acuity, which drove higher reimbursements since the Medicaid rate for a specific service increases as caring for the patient becomes more complex

The legislature will be able to discuss hospital cost growth, the reasons that costs are increasing, and what actions DPHHS may take when it considers Medicaid cost estimates and establishes appropriations for the 2017 biennium.

The legislative base budget is \$20.0 million higher than FY 2014 expenditures for Medicaid reimbursements to Indian Health Services (I.H.S.) providers, which are funded 100% from federal funds. These reimbursements help offset the shortfall in federal I.H.S. grants, which are usually fully expended prior to the end of the grant year. FY 2014 expenditures for I.H.S. services were \$18.9 million lower than the amount originally appropriated by the 2013 Legislature. I.H.S. reimbursements and legislative appropriation issues are discussed in greater detail in the Present Law Adjustments section.

Other differences between the legislative base budget and FY 2014 expenditures are due to enrollment and service utilization changes as well as a 2% annual provider rate increase for some services in FY 2015.

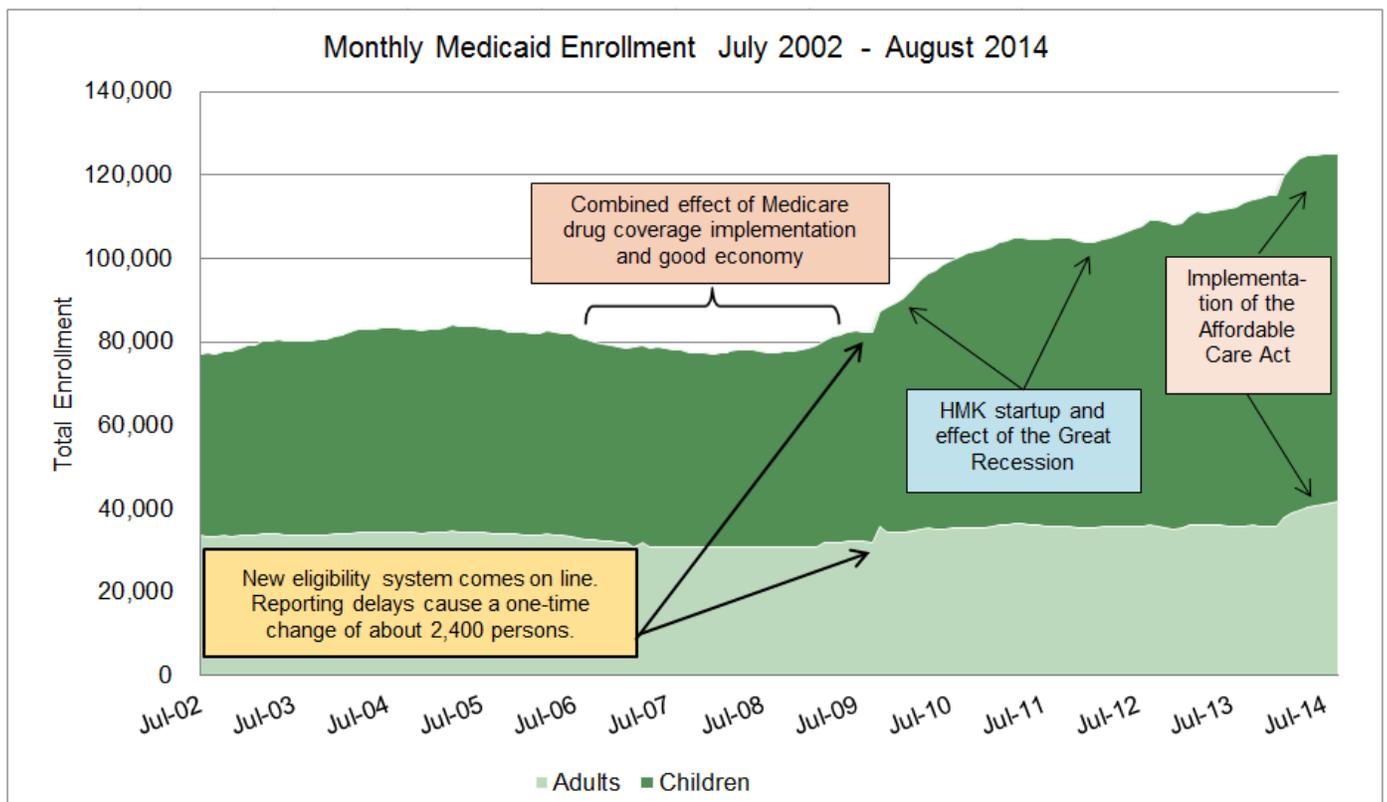
HRD 2017 Biennium Budget Request

The HRD budget request is \$238.1 million higher than the FY 2015 legislative base due to:

- Medicaid enrollment and service utilization increases - \$180.5 million total funds, including \$71.0 million general fund
- Enrollment increases in CHIP funded HMK services - \$27.2 million, including \$3.9 million general fund
- A 2% annual provider rate increase - \$19.8 million, including \$6.3 million general fund

**Enrollment in Medicaid**

One of the cost drivers in Medicaid services is the number of enrollees. The figure on the right shows total enrollment in Medicaid from July 2002 to August 2014. Enrollment over that time period has grown from 77,000 to about 125,000 persons. The majority of enrollees are children.



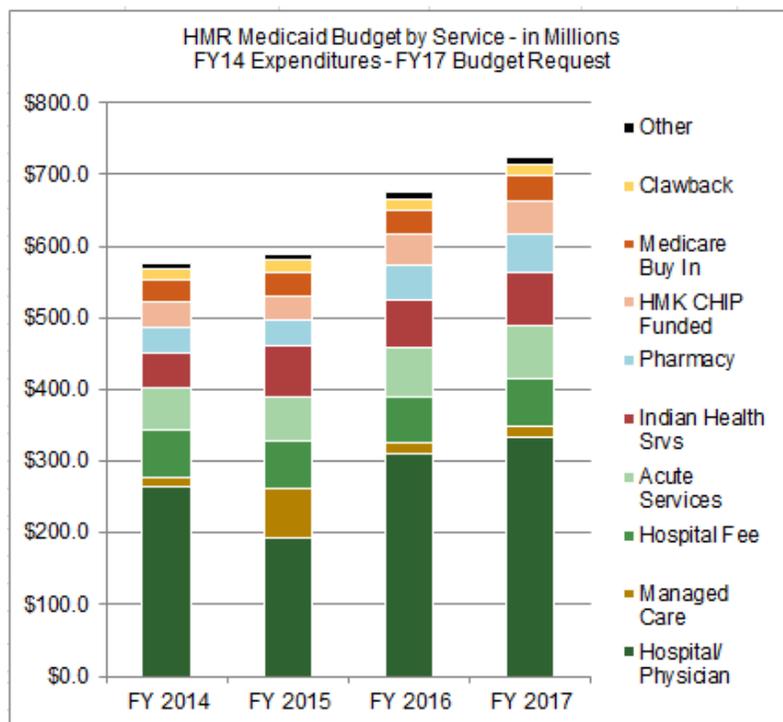
Enrollment levels have been influenced by several factors, including economic programmatic changes. Most recently, implementation of eligibility changes included in the Affordable Care Act (ACA) that were effective January 1, 2014 coincided with an increase in both the number of low-income adults and children enrolled in Medicaid. Specifically ACA removed consideration of assets (eg checking and savings account balances) for eligibility for low-income parents.

In addition, persons who applied for insurance coverage through the federal health insurance market place could be determined eligible for Medicaid. In some instances, these families were eligible for Medicaid prior to the changes implemented by ACA but either did not know or chose not to apply for Medicaid.

**Medicaid Services**

The figure below shows the present law Medicaid budget by major service for FY 2014 expenditures compared to the FY 2015 legislative base budget and the 2017 executive budget request.

The most significant component - hospital and physician services - is 55% of the total when hospital utilization fees are included. In FY 2014, DPHHS reorganized to combine management of hospital and physician services. Previously, physician services had been included in the managed care category (also called member services). That is why the amount for managed care in the FY 2015 appropriation is higher than shown in any other year, and the hospital/physician combined amount appears to be significantly lower in FY 2015 than any other year.



**Hospital Services**

The DPHHS estimate for hospital services in FY 2015 exceeds the appropriation amount shown in the adjacent figure by \$32.6 million total funds, including \$11.1 million general fund. The 2013 Legislature heard testimony from DPHHS staff about the challenges in estimating hospital expenditures and some of the cost drivers are noted in the discussion about the difference between the FY 2014 expenditures and the FY 2015 legislative base budget. Hospital services increase from the FY 2014 expenditure level of \$183.6 million to the request for \$223.6 million in FY 2017, or about 7% per year. As noted previously, the legislature can discuss with DPHHS what actions, if any, it is taking to moderate cost growth.

**Physician Services**

Physician services, not including specialty or group practices, grow from \$54.7 million in FY 2014 to \$66.2 million in FY 2017 or about 5% per year. The main reasons for growth and the biennial amounts are due to utilization increases and the executive proposal to increase provider rates by 2% annually - \$3.5 million.

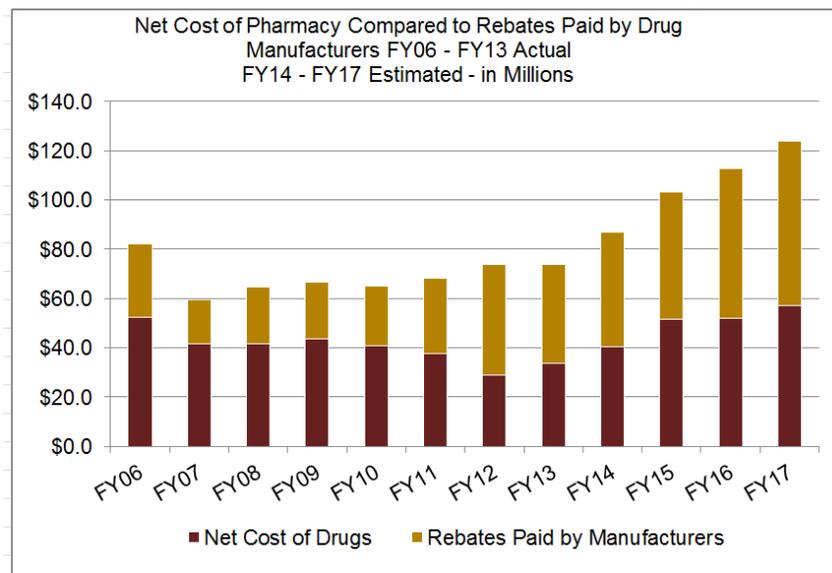
**Other Major Medicaid Services**

The hospital utilization fee – a \$50 assessment for each day of inpatient hospital care – is expected to remain relatively constant. The fee income is used as state Medicaid match and then the total is redistributed to hospitals.

Indian Health Services or I.H.S. reimbursements are fully funded by federal funds and account for 10% of the total biennial request. The payments are for Medicaid services. With limited exceptions, I.H.S. services expenditures have been consistently lower than appropriations. I.H.S. services grow from the FY 2014 expenditure level of \$48.4 million to \$73.6 million in the FY 2017 executive request.

Acute care (also called allied health services) is 10% of the 2017 biennium request and includes services such as dental, audiology, speech and occupational therapy, social workers, and private duty nursing. Acute services rise from \$57.9 million in the executive base budget to \$74.6 million in FY 2017 due to enrollment and service utilization increases.

Pharmacy costs are about 7% of the biennial Medicaid services request and total \$103 million. The amount included in HB 2 is net of rebates paid by drug manufacturers as a federal condition of participating in the Medicaid program. The figure below shows the total Medicaid drug costs broken into the net cost of drugs and the total cost including the amount reduced due to rebates paid by drug manufacturers. Rebates have ranged from a low of 30% of the total cost in FY 2007 to a high of 61% of the cost in FY 2012. The executive budget request is based on rebates offsetting 54% of the total cost of drugs. A 1% change in the amount of drug rebates paid by manufacturers changes the HB 2.



**LFD COMMENT** Rebate Estimate

The legislature may wish to examine the level of rebate revenues for FY 2015 through FY 2017 when it reviews updated Medicaid caseload costs.

HMK CHIP funded services are Medicaid services provided to children in households with incomes from 110% of the federal poverty level (FPL) to 143%. These services comprise about 6% of the 2017 biennium Medicaid services request and are funded with the federal CHIP grant, which has a lower state match requirement than Medicaid. There were about 8,500 children eligible in this group over the most recent 12 months that eligibility information is available (August 2013 to August 2014). The budget request for this group rises from \$34.6 million in FY 2014 to \$44.9 million in FY 2017. Funding for this group of services is discussed in greater detail in the fund balance estimate for HMK state special revenue in the Funding section, while the 2017 biennium cost estimate is discussed in greater detail in the Present Law Adjustments section.

The Medicare buy in is 5% of the 2017 biennium request. Some low-income persons are eligible for both Medicaid and Medicare. If it is cost effective, DPHHS pays the Medicare premiums and co-payments for these individuals. Then Medicare is the first payer for services and Medicaid only pays for services that are not covered by Medicare. The Medicare buy in benefit expenditure was \$30.3 million in FY 2014 and rises to \$36.8 million in the FY 2017 executive request. The executive budget documentation regarding the number of persons and the estimated cost for Medicare premiums is discussed in greater detail in the Present Law Adjustments section.

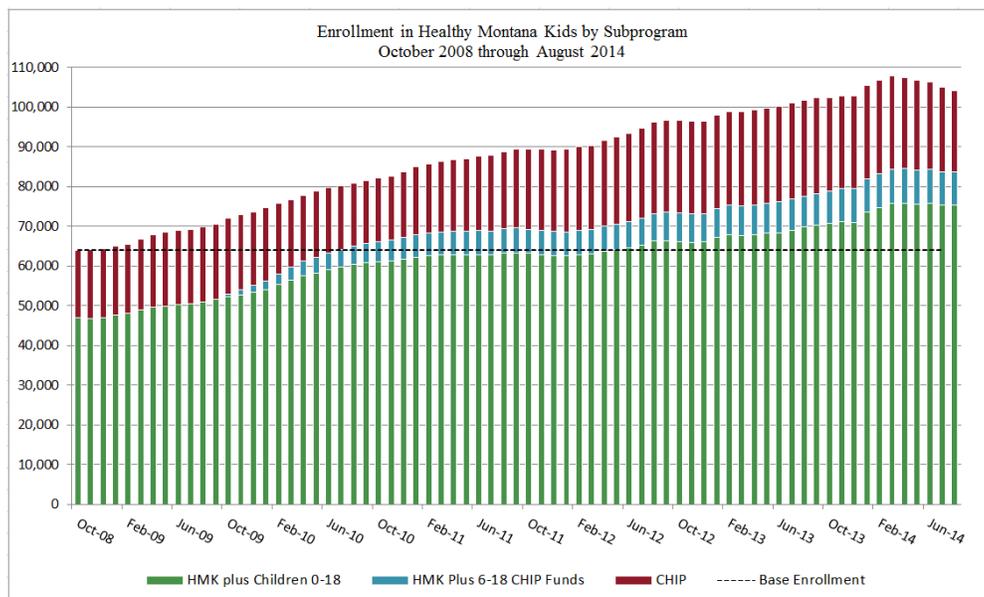
The clawback is funded from 100% from general fund. It is the state's payment to the federal government for a portion of the savings to the state Medicaid program when the Medicare Part D drug benefit was enacted. Prior to Part D, Medicaid paid the drug costs for persons who were eligible for both Medicare and Medicaid. The clawback represents state savings due to Medicare assuming those costs. The clawback is 2% of the HRD Medicaid services request and increases from \$15.7 million in FY 2014 to the FY 2017 request of \$16.3 million.

Other benefits are 2% of the total request and include payments for breast and cervical cancer for persons with incomes below 200% of the federal poverty level and federal reimbursements to schools that provide physical health services to Medicaid eligible children. Together these services comprise \$16.6 million of the 2017 biennium HRD Medicaid services request.

<b>LFD COMMENT</b>	<p><b>New Medicaid Initiatives</b></p> <p>DPHHS implemented a new initiative, the patient centered medical home (PCMH) model of care, on December 1, 2014. The department started the program on a limited basis. It contracted with five providers that represent both urban and rural areas of Montana. Legislative staff has requested that DPHHS discuss the PCMH program with the legislature and specifically address the providers it selected, how many persons will be served, the rate structure for the program, the estimated cost, and how outcomes will be measured. The legislature may wish to consider recommending that this initiative be monitored by a legislative interim committee during the 2017 biennium.</p>
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**HMK Enrollment**

The figure below shows enrollment in HMK since the initiative was enacted. Total enrollment has grown from about 64,000 children in October 2008 to about 104,000 children in August 2014. Enrollment peaked in March 2014 at about 108,000 children, but has declined recently. Most of the enrollment in HMK has occurred in the HMK Plus group funded from Medicaid. Most of the enrollment in HMK has occurred in the HMK Plus group funded from Medicaid.



**Budget Request for HMK Groups Funded with Federal CHIP Grant**

The executive budget includes \$46.8 million in additional funding for HMK services funded with the federal CHIP grant above the FY 2014 expenditure level. A portion of this increase - \$17.5 million for children receiving Medicaid services funded from the CHIP grant – was also discussed in the Medicaid services request. The CHIP funded caseload and budget request is discussed in more detail the Present Law Adjustments section. The state special revenue account created by the citizen initiative to pay increased enrollment costs in HMK is reviewed in greater detail in the Funding section.

**LFD  
ISSUE**

Federal CHIP Match Rate not Included in Executive Present Law Request and Risk

The Affordable Care Act (ACA) raises the federal match rate for CHIP by 23% beginning October 1, 2015 and ending September 30, 2019. That change effectively lowers the Montana state match rate from about 24% each year of the 2017 biennium to about 1%. The enhanced federal match rate would reduce the state funds needed to support the executive budget request by \$50.2 million over the 2017 biennium. Although the executive budget includes the change in the federal Medicaid match rate in its present law HB 2 funding request, it does not include the CHIP match rate change. Instead, the executive budget includes the enhanced federal CHIP match rate as part of its proposal to expand Medicaid (LC 631).

The lower CHIP state match rate would free up state special revenue used to match the federal CHIP grant. The freed up state special revenue could be used in place of general fund to pay the state share of Medicaid matching costs for children enrolled in HMK. The legislature could consider including the enhanced federal match in HB 2 as a present law adjustment in the same manner it historically has included the federal Medicaid and CHIP match rate changes.

There is a risk in whether the enhanced federal CHIP match will be implemented. Although the ACA authorizes the increase, the federal authorization for the CHIP program sunsets September 30, 2015 – one day prior to implementation of the enhanced match. Congress will need to reauthorize the CHIP program in order for states to receive the enhanced match. Despite the need to reauthorize CHIP, the executive budget continues funding for the CHIP component of HMK during the 2017 biennium.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Medicaid and Health Services Branch, 11-Health Resources Division						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	353,871,810	0	0	353,871,810	22.38 %	
02053 Medicaid Nursing Home Match	174,544	0	0	174,544	0.12 %	
02142 Medicaid Third Party Revenue	2,564,454	0	0	2,564,454	1.75 %	
02164 MT Univ System Grad Med Ed	0	0	0	0	0.00 %	
02311 6901-02 Indrct Activity Prog 11	39,284	0	0	39,284	0.03 %	
02597 Montana Healthy Kids Initiative	51,606,583	0	0	51,606,583	35.24 %	
02772 Tobacco Hlth & Medicd Initiative	31,765,963	0	0	31,765,963	21.69 %	
02789 6901-CHIP/MCHA Tobacco Sett Fd	9,743,102	0	0	9,743,102	6.65 %	
02987 Tobacco Interest	4,748,192	0	0	4,748,192	3.24 %	
02989 69010-Hospital Utilization Fee	45,811,706	0	0	45,811,706	31.28 %	
<b>State Special Total</b>	<b>\$146,453,828</b>	<b>\$0</b>	<b>\$0</b>	<b>\$146,453,828</b>	<b>9.26 %</b>	
03127 Montana Within Us Grant	0	0	0	0	0.00 %	
03426 CHIP Program Fed	181,024,678	0	0	181,024,678	16.75 %	
03580 6901-93.778 - Med Adm 50%	15,736,453	0	0	15,736,453	1.46 %	
03582 93.778 - Med Ben 100%	138,859,755	0	0	138,859,755	12.85 %	
03583 93.778 - Med Ben Fmap	744,402,022	0	0	744,402,022	68.89 %	
03611 6901-03 Indrct Activity Prog 11	606,720	0	0	606,720	0.06 %	
<b>Federal Special Total</b>	<b>\$1,080,629,628</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,080,629,628</b>	<b>68.35 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$1,580,955,266</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,580,955,266</b>		

HRD is funded from general fund, state special revenue, and federal funds. General fund is 22% of the total and pays:

- State Medicaid match
- State CHIP match

State special revenue is 9% of the HRD budget request. Functions supported by state special revenue sources and the major source of funds are:

- State Medicaid match
  - Hospital utilization fee (\$50 per day assessed for each day of an inpatient stay)
  - Tobacco revenue from the health and Medicaid initiatives account
  - Insurance tax proceeds allocated to the HMK account
  - Tobacco settlement trust fund interest
- State CHIP match
  - Insurance tax proceeds allocated to the HMK account
  - Tobacco state special revenue from the health and Medicaid initiatives account
  - Tobacco settlement funds
  - Tobacco settlement trust fund interest
- Big Sky Rx (premium assistance for low-income persons to purchase Medicare Part D drug coverage)
  - Tobacco revenue from the health and Medicaid initiatives account

#### LFD ISSUE

#### HMK State Special Revenue Account Can Offset General Fund Costs

A portion of insurance tax proceeds – 33% – is deposited to a state special revenue account to pay the state share of Medicaid and CHIP costs for children enrolled in the HMK program after November 4, 2008. Use of HMK state special revenue directly affects general fund outlays for Medicaid services. DPHHS has traditionally allocated HMK state special revenue first to pay the state match for CHIP costs with remaining funds available to pay Medicaid matching costs. There is not enough revenue in the HMK state special revenue account to fully fund the state share of the cost of services for children eligible for funding from the account, and other state sources, most notably general fund, are then utilized (see “Healthy Montana Kids Primer” at:

[http://leg.mt.gov/content/Publications/fiscal/interim/2014\\_financemty\\_March/HMK-Report.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/2014_financemty_March/HMK-Report.pdf)).

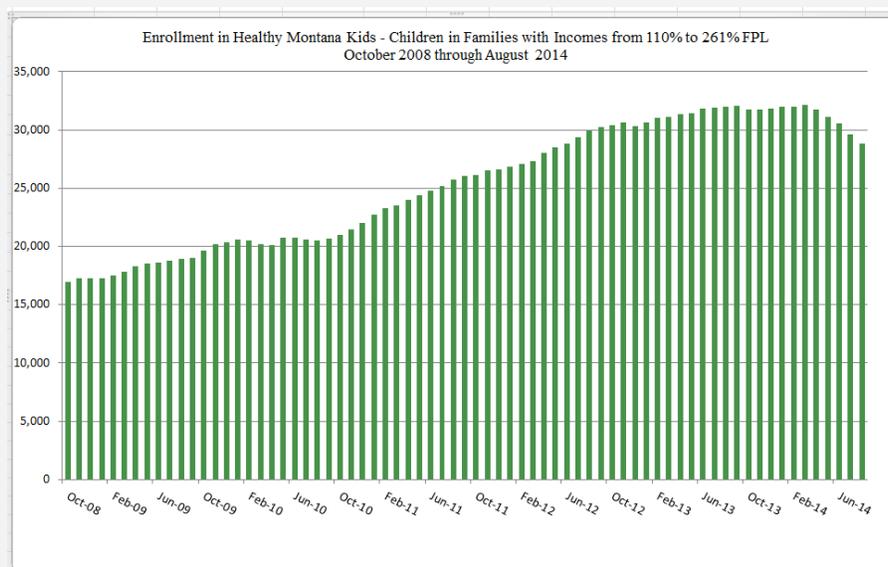
2015 Biennium Costs

The figure below shows the FY 2014 fund balance in the HMK account compared to the DPHHS FY 2015 estimated expenditures and the executive budget request. In FY 2014, there was a \$3.7 million ending fund balance in the HMK account. DPHHS opted to spend general fund for state Medicaid matching funds for HMK instead of using the state special revenue available for that purpose.

Healthy Montana Kids State Special Revenue Fund Balance 2013 Biennium Appropriations and 2015 Biennium Legislative Action					
Fund Balance Revenue/Expenditures	Expenditures FY 2014	Appropriation FY 2015	Budget Request FY 2016	FY 2017	Biennial % Total
Beginning Fund Balance	\$390,573	\$3,693,005	\$0	\$580,220	
Revenue - Insurance License Tax**	26,121,261	27,732,526	28,487,903	28,882,086	
Total Revenue	26,511,834	31,425,531	28,487,903	29,462,306	
Estimated Interest Earnings	-	87,991	313,367	742,450	
Total Funds Available	26,511,834	31,513,523	28,801,270	30,204,757	
Expenditures**					
HMK Benefits (110% - 261% FPL)	9,763,672	12,621,193	13,597,976	15,308,548	49.9%
Medicaid Services (Under 109% FF)	11,153,598	18,199,586	11,446,793	11,153,598	39.0%
Children's Mental Health	1,154,754	1,154,754	1,154,754	1,154,754	4.0%
HMK Direct Administration	96,903	98,881	99,482	99,502	0.3%
Indirect Administrative Costs	1,743,351	1,830,519	1,922,044	2,018,147	6.8%
Total Expenditures	23,912,278	33,904,933	28,221,049	29,734,549	100.0%
Adjustments/Spending Reductions***	1,093,449	(2,391,410)			
Ending Fund Balance	\$3,693,005	\$0	\$580,220	\$470,208	

\*FY 2015 amounts are the estimated expenditures included in the DPHHS November 2014 budget status report.  
 \*\*Revenue based on estimates adopted by the Revenue and Transportation Interim Committee.  
 \*\*\*Adjustments are accounting transactions at fiscal year end for FY 2014. In FY 2015, DPHHS has estimated it will spending \$2.4 million more from the account than is projected to be available.

In its November 2014 budget status report, DPHHS has allocated \$2.4 million more in expenditures to the account than is projected to be available. FY 2015 DPHHS estimates may be overstated since enrollment in the upper income group has been declining since January 2014 (see HMK State Special Revenue Fund Balance Figure ). In order for FY 2015 spending for this group to reach the \$12.6 million DPHHS estimate, enrollment would need to increase an average of 540 children per month, which is higher than any historic change in any 12 month period since November 2008.



The legislature may wish to review projections for the higher income HMK group. If enrollment for that group continues to decline or does not increase substantially, it could offset the shortfall in the state special revenue account and potentially be available to offset some general fund Medicaid costs. DPHHS estimates for enrollment in the CHIP component of HMK are discussed in greater detail in the Present Law Adjustments section.

2017 Biennium Costs

As noted in the Division Budget Discussion, the ACA authorizes a 23% increase in the federal CHIP match rate beginning in the second quarter of FY 2016. Therefore, most of the revenue allocated to the higher income group from the HMK account could be used to offset general fund costs of Medicaid services for children in lower income groups.

**LFD COMMENT** Tobacco Settlement Funds and Health and Medicaid Initiative Funds Discussed in DPHHS Budget Summary

Two sources of state special revenue – tobacco settlement funds and trust fund interest and health and Medicaid initiatives – are discussed in greater detail in the DPHHS Budget Summary. These sources of state special revenue support multiple programs and functions in DPHHS. The executive budget requests \$4.5 million more than is estimated to be available in the health and Medicaid initiatives account. Executive requests from this account are identified for legislative consideration and action in the discussion of present law adjustments.

Federal funds support 68% of the 2017 biennium budget request. Federal funding sources include:

- Federal Medicaid matching funds
- Federal CHIP grant

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	137,311,959	137,311,959	274,623,918	77.61 %	671,430,617	671,430,617	1,342,861,234	84.94 %
PL Adjustments	29,717,204	43,219,558	72,936,762	20.61 %	85,282,763	132,992,239	218,275,002	13.81 %
New Proposals	2,096,317	4,214,813	6,311,130	1.78 %	6,606,343	13,212,687	19,819,030	1.25 %
<b>Total Budget</b>	<b>\$169,125,480</b>	<b>\$184,746,330</b>	<b>\$353,871,810</b>		<b>\$763,319,723</b>	<b>\$817,635,543</b>	<b>\$1,580,955,266</b>	

**Present Law Adjustments -**

The “Present Law Adjustments” table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	57,568	(150,610)	284,710	191,668	0.00	59,428	(150,286)	280,308	189,450
DP 99 - LEG. Present Law	0.00	29,659,636	3,164,173	52,267,286	85,091,095	0.00	43,160,130	4,860,760	84,781,899	132,802,789
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$29,717,204</b>	<b>\$3,013,563</b>	<b>\$52,551,996</b>	<b>\$85,282,763</b>	<b>0.00</b>	<b>\$43,219,558</b>	<b>\$4,710,474</b>	<b>\$85,062,207</b>	<b>\$132,992,239</b>

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the following table includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

The executive budget for personal services increases by about 5% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the table, about half of the change is due to costs associated with HB 13 approved by the 2013 Legislature. Other adjustments include:

- Longevity changes
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	51.62	\$7,255	\$950	\$16,883	\$25,087
Executive Implementation of 2015 Pay Increase		18,869	2,027	43,704	64,601
Fully Fund 2015 Legislatively Authorized FTE		3,193	1,943	9,456	14,592
Other		28,251	(155,531)	214,667	87,387
<b>Personal Services Present Law Adjustments</b>	<b>51.62</b>	<b>\$57,568</b>	<b>(\$150,610)</b>	<b>\$284,710</b>	<b>\$191,668</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	51.62	\$7,255	\$950	\$16,883	\$25,087
Executive Implementation of 2015 Pay Increase		18,869	2,027	43,705	64,601
Fully Fund 2015 Legislatively Authorized FTE		3,193	1,943	9,456	14,592
Other		30,111	(155,207)	210,265	85,169
<b>Personal Services Present Law Adjustments</b>	<b>51.62</b>	<b>\$59,428</b>	<b>(\$150,286)</b>	<b>\$280,308</b>	<b>\$189,450</b>

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments. The table shows the difference between the FY 2015 legislative appropriation and the executive present law budget request. Each of the items is discussed in greater detail.

<u>Legislative Present Law Adjustments</u>				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
1111001 Med Ben Breast & Cervical	(\$206,060)	\$0	(\$764,728)	(\$970,788)
1111002 Med Ben Cload Clawback	(1,602,608)	-	-	(1,602,608)
1111010 Med Admin Contract Adj.	158,137	-	158,137	316,274
1110013 HMK CHIP Funded Services	147,900	3,947,744	10,492,967	14,588,611
1111021 Med Ben Hospital Util. Fee	-	276,733	(1,208,927)	(932,194)
1111030 Med Ben Cload Indian Health	-	-	(3,949,036)	(3,949,036)
1111031 School Based Physical Health	-	-	(1,487,083)	(1,487,083)
1110060 Med Ben Hospital, Physician	21,189,440	1,168,373	35,412,547	57,769,821
1110061 Med Ben Acute Services	6,191,422	(3,501,263)	3,461,779	6,151,938
1110062 Med Ben Medicare Buy In	151,453	-	1,113,688	1,265,141
1110063 Med Ben Cload Pharmacy	3,300,871	2,391,343	6,390,482	12,082,696
Other	329,081	(1,118,757)	2,647,460	1,858,323
<b>Legislative Present Law Adjustment</b>	<b>29,659,636</b>	<b>3,164,173</b>	<b>52,267,286</b>	<b>85,091,095</b>
<u>FY 2017</u>				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
1111001 Med Ben Breast & Cervical	(\$244,582)	\$0	(\$928,051)	(\$1,172,633)
1111002 Med Ben Cload Clawback	(1,364,254)	-	-	(1,364,254)
1111010 Med Admin Contract Adj.	158,137	-	158,137	316,274
1110013 HMK CHIP Funded Services	642,455	5,880,526	16,718,030	23,241,011
1111021 Med Ben Hospital Util. Fee	-	493,663	(1,425,857)	(932,194)
1111030 Med Ben Cload Indian Health	-	-	4,324,467	4,324,467
1111031 School Based Physical Health	-	-	(1,487,083)	(1,487,083)
1110060 Med Ben Hospital, Physician	29,159,058	875,178	46,737,679	76,771,379
1110061 Med Ben Acute Services	8,065,555	(3,501,263)	6,299,787	10,864,079
1110062 Med Ben Medicare Buy In	1,190,373	-	2,736,540	3,926,913
1110063 Med Ben Cload Pharmacy	5,218,742	2,391,343	9,457,956	17,068,041
Other	334,646	(1,278,687)	2,190,294	1,246,789
<b>Legislative Present Law Adjustment</b>	<b>\$43,160,130</b>	<b>\$4,860,760</b>	<b>\$84,781,899</b>	<b>\$132,802,789</b>

**LFD COMMENT**

Federal/State Medicaid Match Rate Changes

Legislative decision points for Medicaid services in the present law table combine service utilization and enrollment increases with funding adjustments due to federal Medicaid match rate changes, which occur annually. The two items will be separated into distinct decision points for legislative consideration when Medicaid cost estimates for the 2017 biennium are updated.

1111001 - Med Ben Other Cload Breast and Cervical - This present law adjustment represents the difference between the 2017 biennium budget request and the FY 2015 legislative budget, which is higher than the executive request. The adjustment includes funds to account for changes to the federal and state Medicaid matching rates.

1111002 - Med Ben Other Cload Clawback - This present law change removes general fund. The FY 2015 legislative base budget is higher than the amount in the executive request for the 2017 biennium. The funding is 100% general fund and represents the payment to the federal government for Medicaid program savings due to implementation of the Medicare Part D drug benefit.

DP 1111010 - MED Admin Contractual Adjustments - This present law adjustment increases contracts related to administration of the Medicaid program. The request adjusts the base year expenses from the FY 2014 level of \$4.7 million to \$5.0 million in FY 2017.

DP 110013 - HMK CHIP Funded Services - This present law adjustment adds funding for anticipated enrollment and service utilization increases for health services provided to children. The services are funded from the federal CHIP grant.

**LFD COMMENT**

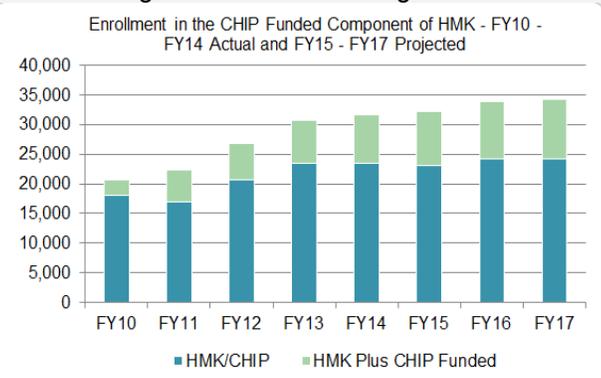
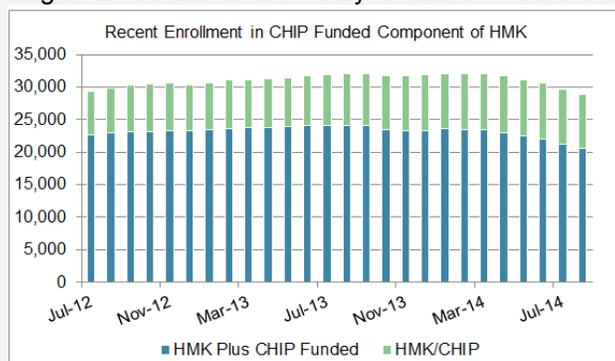
Enhanced Match, Caseload Projection, Average Cost per Enrollee

There are several issues related to the CHIP funded component of HMK. As discussed previously, the executive budget does not include the enhanced federal CHIP match rate that is effective October 1, 2015. The legislature could include an adjustment to HB 2 appropriations to incorporate the enhanced match rate, offsetting up to \$50.2 million general fund over the biennium if it accepts the executive estimate of CHIP funded caseload projections.

**Enrollment Levels**

The adjacent figure shows the average annual enrollment in the CHIP funded component of HMK from FY 2010 through FY 2014 compared to the average annual enrollment estimated in the executive budget for FY 2015 through FY 2017. The projected enrollment appears reasonable based on historic trends. However, recent enrollment has shown month over month declines.

The figure below shows enrollment over the most recent 13 months. The number of children in the HMK/CHIP group peaked at 24,136 in August 2013 and then steadily declined to a level of 20,559 in August 2014. The HMK/Plus group peaked at 8,736 in April 2014 and declined each month to a level of 8,233 in August 2014.



HMK/CHIP Enrollment

In order for average enrollment in the HMK/CHIP group to reach the DPHHS estimate of 23,108 in FY 2015, it would need to increase about 540 children per month. The highest historic month over month increase in a continuous 12 month span was about 360 children from October 2010 through November of 2011.

It seems unlikely that the FY 2015 enrollment estimate for this group will be achieved. Similarly, for enrollment to grow from current levels to the 24,120 estimated for FY 2016 and FY 2017, the monthly increase from August 2014 to June 2015 would need to be about 220 children per month. That sustained rate of change occurred in the program from November

2010 to August 2012. After that time, monthly increases were highly variable and lower than the 220 average needed to achieve the executive estimate.

#### HMK Plus

In order for average enrollment in the HMK Plus group to reach the DPHHS estimate of 9,072 in FY 2015, it would need to increase about 170 children per month. Since June 2011, the 12 month rolling average enrollment change never exceeded 145 and the majority has been below 100. It seems unlikely that the FY 2015 enrollment estimate for this group will be achieved.

Similarly, for enrollment to grow from current levels to the 10,153 estimated for FY 2017, the monthly increase from August 2014 to June 2017 would need to be about 65 children per month, which is more in line with historic enrollment changes. However, using a 65 average monthly increase over that time frame would yield an average enrollment of 9,306 in FY 2016 compared to the executive estimate of 9,842, which would lower the amount of funding needed in FY 2016.

#### Average Cost per Child

The executive request for CHIP funded HMK enrollees is based on an increase in the average cost per child of 6% per year. That does not include the 2% annual provider rate increase requested for certain services.

#### Legislative Review of Updated Information

There will be an additional 2 to 3 months of enrollment data and DPHHS will publish updated per child costs prior to legislative consideration of the appropriation for the CHIP funded component of HMK. Legislative staff will provide a revised enrollment and cost projection for legislative consideration.

1111021 - Med Ben Other Hospital Util. Fee - This present law adjustment lowers funds to account for the difference between the legislative base budget and the 2017 biennium request for the hospital utilization fee. It also includes additional state special revenue to account for changes to the federal and state Medicaid matching rates.

1111030 - Med Ben Core Cload Indian Health Services - This present law adjustment adds funding for anticipated changes for the level of Medicaid reimbursement for services provided by I.H.S. providers. Funding is 100% federal.

#### LFD COMMENT

I.H.S. Medicaid Reimbursements

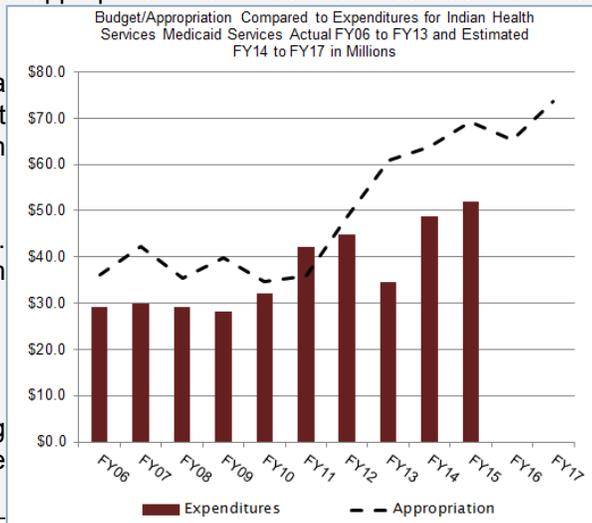
The graph shows historic I.H.S. Medicaid expenditures and appropriations compared to the 2017 biennium budget request. Actual expenditures are those from FY 2006 through FY 2013, while FY 2014 through FY

2017 reflect DPHHS estimates. With the exception of FY 2011, the appropriation for I.H.S. services has exceeded expenditures every year, with the biggest disparity in FY 2013.

The amount shown in the figure for FY 2014 expenditures includes a \$13.6 million accrual for anticipated claims for services that had not yet been received by DPHHS. As of December 1, the accounting system had recorded \$39.3 million in FY 2014 for I.H.S. services.

The legislature may wish to consider several issues related to I.H.S. Medicaid reimbursements before it establishes the 2017 biennium appropriation. The legislature may wish to:

- Review updated 2015 biennium cost projections
- Potentially adjust the amounts for the 2017 biennium
- Request information from DPHHS on what actions it is taking to help insure that reimbursement levels will increase to the level projected in the 2017 biennium



DP 110031 - School Based Physical Health Services - This present law adjustment adds a net funding increase for reimbursements to schools that provide Medicaid physical services to eligible students. Funds are 100% federal since the school budgets provide the state matching funds.

1110060 - Med Ben Core Cload Hospital and Physician Services - This present law adjustment adds funding for anticipated enrollment and service utilization increases for physician and hospital services. It also includes funds to account for changes to the federal and state Medicaid matching rates.

**LFD COMMENT**

Legislative Consideration of Cost Drivers

Cost changes for hospital and physician services were discussed previously. As noted in the discussion of the differences between the legislative base budget and FY 2014 expenditures, hospital costs were \$24.0 million - or 12% - above the original FY 2014 appropriation and are projected by DPHHS to exceed the original legislative appropriation in FY 2015 by \$32.6 million or 17%. More persons are eligible for services and patient acuity levels are higher, which are two of the reasons that hospital costs are increasing. However, the legislature may wish to request that DPHHS provide its plan to address hospital cost growth in the 2017 biennium.

Growth in Medicaid physician services is due to rate increases detailed earlier and enrollment increases.

1110061 - Med Ben Core Cload Acute Services - This present law adjustment adds funding for anticipated enrollment and service utilization increases for acute services. It also includes funds to account for changes to the federal and state Medicaid matching rates.

1110062 - Med Ben Core Cload Medicare Buy In This present law adjustment adds funding for anticipated enrollment and Medicare premium increases. It also includes funds to account for changes to the federal and state Medicaid matching rates.

**LFD COMMENT**

Premium Increase Assumptions not Supported by Recent History

Medicare buy in costs are determined by the number of people enrolled and the cost of premiums for Part A (inpatient hospital, skilled nursing facility, and some home health services) and Part B (physician, outpatient hospital, and other outpatient services). Part A premiums, which have declined year over year from 2012 through 2015,

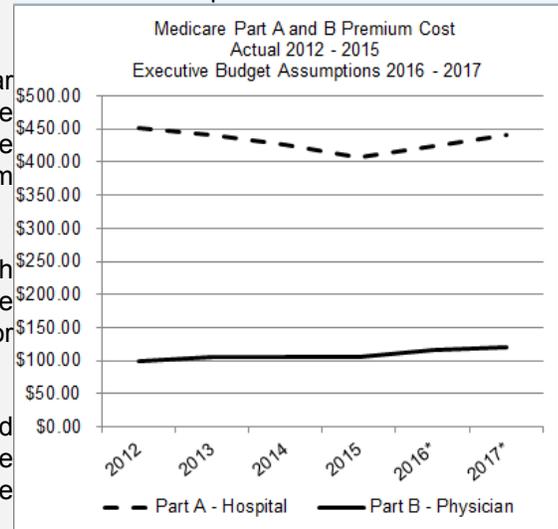
are projected to increase 4% annually in 2016 and 2017 in the DPHHS Medicaid request. Part B premiums, which increased from 2012 to 2013 and then remained constant from 2013 through 2015, are also projected to grow 4% per year.

Actual enrollment grew at a rate from 5% to 6% from FY 2012 to FY 2014. The executive request assumes that enrollment growth will moderate to 3% per year in the 2017 biennium.

The adjacent shows Part A and Part B premium amounts by calendar year compared to the executive request. The turning point in both lines in the graph represents the uptick in premiums assumed by the executive. The executive budget is based on the number of enrollees increasing 4% from FY 2014 to FY 2015 and 3% annually thereafter.

While the executive budget enrollment projections appear to align with recent historic program experience, the premium increases assumed in the executive do not. Part A and Part B premiums have remained constant or declined over the most recent four years.

The legislature can consider several options when it reviews updated Medicare buy in caseload estimates. If the executive request for the Medicare buy in does not change, the legislature could consider the following options:



- Approve the executive budget request and restrict the appropriation to use only for Medicare buy in
- Approve the executive request for enrollment changes, but leave the premium amounts constant from the FY 2015 level
- Approve the executive request and establish a lower percentage premium increase

1110063 - Med Ben Core Cloud Pharmacy - This present law adjustment adds funding for anticipated increases for pharmacy services. It also includes funds to account for changes to the federal and state Medicaid matching rates.

**LFD COMMENT** Rebates and Total Cost

The legislature may wish to review the level of rebate income and total pharmacy costs for FY 2015 year to date experience and the level projected for the 2017 biennium. This issue was reviewed in the Program Budget Discussion.

Remainder of Present Law Adjustment - The remainder of the difference between the FY 2015 legislative appropriation and the executive budget request is listed in the Other adjustment.

**LFD COMMENT** Funding Adjustments Between Personal Services and Other Expenditures

The present law adjustments for personal services and other expenditures such as operating expenses were calculated using an algorithm. While the funding changes for the two adjustments taken together are correct, the allocation of the funding between personal services and other expenditures is not always allocated appropriately. The funding between the two present law adjustments may need to be refined for this division. The Legislative Fiscal Division staff will work with DPHHS staff to adjust the funding appropriately between the two present law adjustments.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1111022 - PRI - HMK (CHIP)	0.00	35,000	20,763	174,474	230,237	0.00	35,000	78,553	346,922	460,475
DP 1111023 - PRI HMK (CHIP-Funded)	0.00	0	98,491	308,160	406,651	0.00	0	200,560	612,742	813,302
DP 1111024 - PRI Med Ben Medicaid Core	0.00	2,040,733	0	3,843,735	5,884,468	0.00	4,120,305	0	7,648,631	11,768,936
DP 1111025 - PRI Med Ben Breast & Cervical Cancer	0.00	20,584	0	64,403	84,987	0.00	59,508	0	110,466	169,974
<b>Total</b>	<b>0.00</b>	<b>\$2,096,317</b>	<b>\$119,254</b>	<b>\$4,390,772</b>	<b>\$6,606,343</b>	<b>0.00</b>	<b>\$4,214,813</b>	<b>\$279,113</b>	<b>\$8,718,761</b>	<b>\$13,212,687</b>

DP 1111025 - PRI Med Ben Breast & Cervical Cancer -

This new proposal requests a 2% provider rate increase in each year of the biennium.

DP 1111022 - PRI - HMK (CHIP) -

This new proposal requests a 2% provider rate increase in each year of the biennium for HMK CHIP program.

**LFD ISSUE**

Executive Funding Request Inadequate to Fund a 2% Annual Provider Rate Increase for Some Services

The executive budget requests funding for a 2% annual provider rate increase. The information entered into the budgeting system provides detail about the base expenditures and the provider rate increase requested for some, but not all, service groups.

The figure below shows the executive present law budget request for three Medicaid service groups, the calculated amount to fund a 2% annual provider rate increase, and the amount of funding requested for the provider rate increase in the executive budget. Two of the service groups (managed care and acute services) are included in the funding requested in DP 1111024. The executive budget is \$1.6 million below the amount needed to fund a 2% annual rate increase for the service groups shown in the table. Funding included in the executive budget for the services shown in the figure is adequate to fund a 1.5% rate increase in FY 2016 and an additional 1.2% rate increase in FY 2017.

Adequacy of Executive Request to Fund a 2% Annual Provider Rate Increase						
Service Group	FY 2016	2% Rate	Exec.	FY 2017	2% Rate	Exec.
	Present Law	Increase	Request	Present Law	Increase	Request
Managed Care	\$14,074,360	\$281,487	\$181,172	\$14,332,147	\$579,019	\$362,345
Acute Care	68,003,829	1,360,077	989,570	72,715,970	2,937,725	1,979,141
Breast & Cervical Cancer	4,040,377	80,808	84,987	3,838,532	155,077	169,974
<b>Total</b>		<b>1,722,371</b>	<b>1,255,729</b>		<b>3,671,821</b>	<b>2,511,460</b>
Executive Request Over (Under) Amount Needed			<b>(\$466,642)</b>			<b>(\$1,160,361)</b>
<b>Biennial Shortfall</b>						<b>(\$1,627,003)</b>

DPHHS updates its Medicaid cost estimates during the legislative session. The legislature may wish to review the revisions to services listed in the figure and the amount of funding requested in the executive budget to determine the actual level of rate increase that could be funded compared to the level, if any, of provider rate increase the legislature wishes to fund.

DP 1111023 - PRI HMK (CHIP-Funded) -

This new proposal requests a 2% provider rate increase in each year of the biennium for HMK (CHIP-Funded) group.

DP 1111024 - PRI Med Ben Medicaid Core -

This new proposal requests a 2% provider rate increase in each year of the biennium the following Medicaid services: hospital, physician, pharmacy, managed care, and acute care services.

**LFD  
COMMENT**

Hospital Rate Increase May be Applied to Outpatient Services Only

Medicaid inpatient hospital reimbursement levels when combined with revenue from the hospital utilization fee are near the federally allowable upper payment limit. In FY 2015 the entire hospital rate increase was applied to outpatient services, raising rates by about 9%. The legislature may wish to request information on the administration of a 2% provider rate increase for hospital services to determine whether the same action could occur in the 2017 biennium. If so, inpatient rate increases would be about 5% in FY 2016 and about 9% in FY 2017 based on current Medicaid service estimates.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00 %
Personal Services	273,890	506,820	517,896	518,265	780,710	1,036,161	255,451	32.72 %
Operating Expenses	7,852,221	10,792,776	7,999,981	8,458,958	18,644,997	16,458,939	(2,186,058)	(11.72)%
Grants	9,859,359	7,039,062	9,859,359	9,859,359	16,898,421	19,718,718	2,820,297	16.69 %
<b>Total Costs</b>	<b>\$17,985,470</b>	<b>\$18,338,658</b>	<b>\$18,377,236</b>	<b>\$18,836,582</b>	<b>\$36,324,128</b>	<b>\$37,213,818</b>	<b>\$889,690</b>	<b>2.45 %</b>
General Fund	1,988,770	2,837,618	2,097,044	2,339,117	4,826,388	4,436,161	(390,227)	(8.09)%
State/Other Special Rev. Funds	146,522	94,504	150,944	150,951	241,026	301,895	60,869	25.25 %
Federal Spec. Rev. Funds	15,850,178	15,406,536	16,129,248	16,346,514	31,256,714	32,475,762	1,219,048	3.90 %
<b>Total Funds</b>	<b>\$17,985,470</b>	<b>\$18,338,658</b>	<b>\$18,377,236</b>	<b>\$18,836,582</b>	<b>\$36,324,128</b>	<b>\$37,213,818</b>	<b>\$889,690</b>	<b>2.45 %</b>

**Program Description**

The Medicaid Systems Support Program works in conjunction with the state Medicaid director and division administrators by providing oversight and guidance on management of the Medicaid programs. It also oversees the Medicaid Management Information System (MMIS) contractor that is responsible for the processing and payment of Medicaid claims. The Medicaid and Health Services Branch Manager is attached to this program for budget purposes.

**Program Highlights**

<b>Medicaid and Health Services Management Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The 2017 Biennium budget includes:                             <ul style="list-style-type: none"> <li>◦ An increase in grants of almost \$3.0 million</li> <li>◦ Present Law adjustments for the Montana Medicaid Management System (MMIS) of almost \$1.0 million</li> <li>◦ Reductions in operating expenses of approximately \$2.0 million</li> </ul> </li> </ul>

**Funding**

The following table shows proposed program funding by source from all sources of authority.

**69110 - Medicaid And Health Services Branch    12-Medicaid and Health Services Management**

Medicaid and Health Services Branch, 12-Medicaid and Health Services Management Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	4,436,161	0	0	4,436,161	11.92 %	
02220 02 Indirect Activity Prog 12	301,895	0	0	301,895	100.00 %	
<b>State Special Total</b>	<b>\$301,895</b>	<b>\$0</b>	<b>\$0</b>	<b>\$301,895</b>	<b>0.81 %</b>	
03305 03 Indirect Activity Prog 12	12,757,028	0	0	12,757,028	39.28 %	
03580 6901-93.778 - Med Adm 50%	19,718,734	0	0	19,718,734	60.72 %	
<b>Federal Special Total</b>	<b>\$32,475,762</b>	<b>\$0</b>	<b>\$0</b>	<b>\$32,475,762</b>	<b>87.27 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$37,213,818</b>	<b>\$0</b>	<b>\$0</b>	<b>\$37,213,818</b>		

The majority of funding is federally based either from Medicaid or Indirect Activity from the Cost Allocation Plan (CAP). General fund decreases by almost \$400,000 over the biennium while state special increases by \$60,000 from indirect activity and CAP changes.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	2,837,618	2,837,618	5,675,236	127.93 %	18,338,658	18,338,658	36,677,316	98.56 %
PL Adjustments	(740,574)	(498,501)	(1,239,075)	(27.93)%	38,578	497,924	536,502	1.44 %
New Proposals	0	0	0	0.00 %	0	0	0	0.00 %
<b>Total Budget</b>	<b>\$2,097,044</b>	<b>\$2,339,117</b>	<b>\$4,436,161</b>		<b>\$18,377,236</b>	<b>\$18,836,582</b>	<b>\$37,213,818</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	(212,624)	16,204	207,496	11,076	0.00	(11,458)	1,297	21,606	11,445
DP 99 - LEG. Present Law	0.00	(527,950)	40,236	515,216	27,502	0.00	(487,043)	55,150	918,372	486,479
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$740,574)</b>	<b>\$56,440</b>	<b>\$722,712</b>	<b>\$38,578</b>	<b>0.00</b>	<b>(\$498,501)</b>	<b>\$56,447</b>	<b>\$939,978</b>	<b>\$497,924</b>

DP 98 - LEG. Personal Services Present Law -

This adjustment includes all personal services present law as requested by the executive. This includes the executive implementation of the pay plan, FTE reductions from HB 2 boiler plate, and benefit increases. The table below summarizes personal services present law (PSPL)

FY 2016					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	5.00	273	20	2,137	2,430
Executive Implementation of 2015 Pay Increase		1,045	77	8,172	9,294
Fully Fund 2015 Legislatively Authorized FTE		491	132	1,386	2,009
Other		(214,433)	15,975	195,801	(2,657)
<b>Personal Services Present Law Adjustments</b>	<b>5.00</b>	<b>(212,624)</b>	<b>16,204</b>	<b>207,496</b>	<b>\$11,076</b>

FY 2017					
	FTE	General Fund	State Special	Federal Special	Total Funds
CP 98 PSPL Item					
State Share Health Insurance	5.00	273	20	2,137	2,430
Executive Implementation of 2015 Pay Increase		1,045	77	8,172	9,294
Fully Fund 2015 Legislatively Authorized FTE		491	132	1,386	2,009
Other		(13,267)	1,068	9,912	(2,288)
<b>Personal Services Present Law Adjustments</b>	<b>5.00</b>	<b>(11,458)</b>	<b>1,297</b>	<b>21,606</b>	<b>11,445</b>

The table above shows the majority of personal adjustment for the 2015 biennium are due to state benefits and executive implementation of the pay plan. This includes full funding for all five positions. Currently there is one vacant position that is a program manager that is included in the executive request.

DP 99 - LEG. Present Law -

This adjustment includes all present law requests by the executive that are not related to personal services, including present law adjustments for inflation and fixed costs.

**LFD COMMENT**    The legislative present law shows an increase of \$497,924 for FY 2017. A significant amount of the present law is related to Medicaid administration for the Montana Medicaid Information System (MMIS). DP 1212002 requests \$146,503 in FY 2016 and \$605,457 in FY 2017 to maintain services for MMIS. The Legislature may want to request summary of the MMIS expenditures related to this present law increase.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	221.05	221.05	217.55	217.55	221.05	217.55	(3.50)	(1.58)%
Personal Services	11,707,257	12,731,317	13,083,137	13,067,036	24,438,574	26,150,173	1,711,599	7.00 %
Operating Expenses	7,156,221	10,182,788	9,758,896	10,182,587	17,339,009	19,941,483	2,602,474	15.01 %
Equipment & Intangible Assets	68,049	111,093	68,049	68,049	179,142	136,098	(43,044)	(24.03)%
Grants	11,644,859	12,615,529	19,451,414	19,451,414	24,260,388	38,902,828	14,642,440	60.36 %
Benefits & Claims	249,362,661	281,469,496	285,662,928	300,211,697	530,832,157	585,874,625	55,042,468	10.37 %
Transfers	163	5,000	163	163	5,163	326	(4,837)	(93.69)%
Debt Service	66,657	76,284	66,657	66,657	142,941	133,314	(9,627)	(6.73)%
<b>Total Costs</b>	<b>\$280,005,867</b>	<b>\$317,191,507</b>	<b>\$328,091,244</b>	<b>\$343,047,603</b>	<b>\$597,197,374</b>	<b>\$671,138,847</b>	<b>\$73,941,473</b>	<b>12.38 %</b>
General Fund	64,118,404	70,788,909	77,222,966	82,609,921	134,907,313	159,832,887	24,925,574	18.48 %
State/Other Special Rev. Funds	33,772,598	38,937,842	35,117,468	35,949,247	72,710,440	71,066,715	(1,643,725)	(2.26)%
Federal Spec. Rev. Funds	182,114,865	207,464,756	215,750,810	224,488,435	389,579,621	440,239,245	50,659,624	13.00 %
<b>Total Funds</b>	<b>\$280,005,867</b>	<b>\$317,191,507</b>	<b>\$328,091,244</b>	<b>\$343,047,603</b>	<b>\$597,197,374</b>	<b>\$671,138,847</b>	<b>\$73,941,473</b>	<b>12.38 %</b>

### Program Description

The Senior and Long Term Care Division (SLTC) plans, administers, and provides publicly-funded long-term care services for Montana's senior citizens and persons with physical disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through six major programs:

- 1) The Office on Aging provides meals, transportation, public education, information and assistance, long-term care ombudsman and other services;
- 2) Medicaid Community Services Program pays for in-home, assisted living, and other community-based services to Medicaid-eligible individuals as an alternative to nursing home care;
- 3) Medicaid Nursing Facility Program pays for care to Medicaid-eligible individuals in 82 Montana nursing homes;
- 4) Protective services, including the investigation of abuse neglect and exploitation are provided by adult protective services social workers;
- 5) Skilled nursing facility care is provided to veterans at the 105-bed Montana Veterans Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veterans Home in Glendive; and
- 6) the State Supplemental Payments Program pays for a portion of the room and board costs for SSI eligible individuals residing in designated residential care facilities.

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Veteran's Homes, 10-2-401 , MCA (authorizes and establishes Montana Veteran's Homes) ; 53-1- 6 02 , MCA (Eastern Montana Veteran's Home) ; Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

### Program Highlights

<b>Senior and Long Term Care Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• As shown in the main table, the 2017 biennium budget request is \$73.9 million higher than the 2015 biennium, which includes an increase of \$24.9 million general fund</li> <li>• Medicaid services costs grow \$54.9 million total funds, including \$23.7 million general fund due to primarily to: <ul style="list-style-type: none"> <li>◦ Increased Community First Choice services - \$16.6 million, including \$5.5 million general fund</li> <li>◦ General 2% annual provider rate increases - \$15.6 million total funds, including \$5.2 million general fund</li> <li>◦ Direct care worker wage increases - \$13.3 million total funds including \$4.6 million general fund</li> <li>◦ Increased utilization of community waiver services - \$7.7 million, including \$3.8 million general fund</li> <li>◦ Additional services for persons transitioning from facility based care to community services - \$4.7 million total funds, including \$0.5 million general fund</li> <li>◦ Reductions in the number of days of nursing home care - \$2.5 million total funds</li> </ul> </li> <li>• Federal block grant funds for aging services accounts for a \$7.8 million increase in federal authority and the biennial difference in the grants category</li> <li>• Operating costs increase by a net \$2.6 million primarily for Montana veterans' homes: <ul style="list-style-type: none"> <li>◦ \$2.2 million for the Montana Veterans' Home</li> <li>◦ \$1.0 million for the Eastern Montana Veterans' Home</li> </ul> </li> <li>• Personal services costs grow \$1.4 million largely due to annualization of pay plan changes</li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>• The legislature could increase general fund revenue by \$2.8 million if it appropriates increased funding from other state special and federal sources in place of cigarette tax state special revenue that supports the executive budget request for the Montana Veterans' Home</li> <li>• The division has not developed a cost reduction plan for the Montana Veterans' Home as agreed to by the department in response to a legislative audit finding in 2012</li> <li>• The number of persons served in the Money Follows the Person program is much lower than anticipated by the 2013 Legislature</li> <li>• There will be changes to Medicaid funded community services due to recently adopted federal rules governing home and community like settings that may impact costs and services beginning in the 2017 biennium</li> <li>• The increase in federal aging services grants appears to be overstated, potentially by as much as \$15.0 million over the biennium</li> </ul>

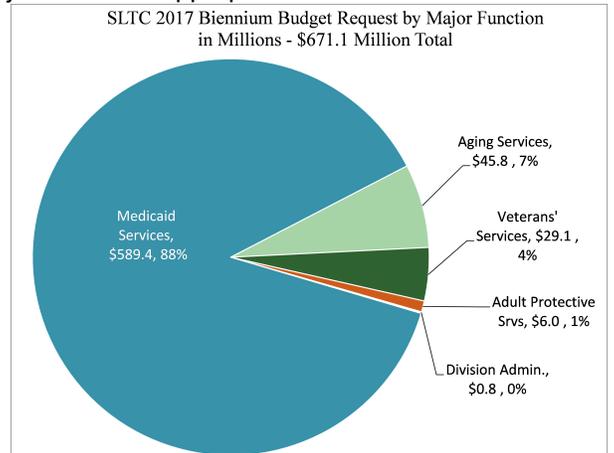
#### **Program Discussion -**

The 2017 biennium budget request is \$73.9 million higher than the 2015 biennium budget, largely due to new proposals for provider rate increases, including direct care worker wage increases, and increases in community funded Medicaid services. In addition, implementation of the 2015 biennium pay plan, fully funding positions, an increase in operating costs

for the Montana Veterans' Home, and increases in federal categorical grants for aging services contribute to higher costs in the 2017 biennium budget request compared to the 2015 biennium.

*SLTC 2017 Biennium Budget by Major Function*

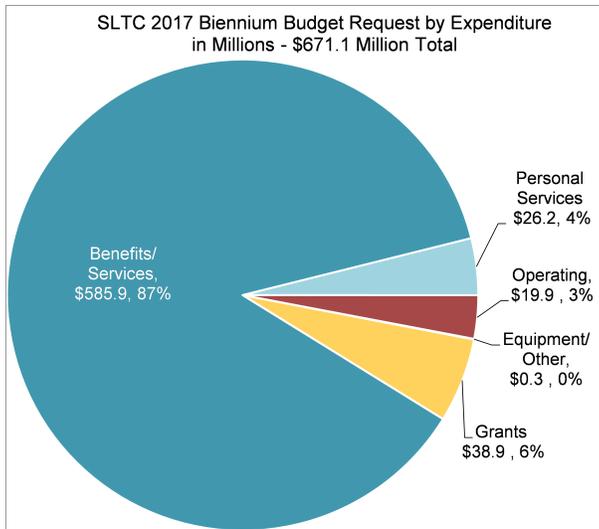
The figure to the right shows the 2017 biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising nearly 90% of the 2017 biennium division budget request. Aging services are 5% of the request and veterans' services account for 4%. Adult protective services are 1%, with division administration less than 1%.



**2017 Biennium Request by Major Expenditure**

The graph to the left shows the SLTC 2017

biennium budget request by major expenditure. Benefits and services, which are payments for services provided to persons who meet specific eligibility criteria, are 87% of the total request. Medicaid services dominate this expenditure type. Grants are 6% of the total and are primarily federal categorical grants for aging services. Most of these grant funds support contracts with Area Agencies on Aging to provide services such as Meals on Wheels,



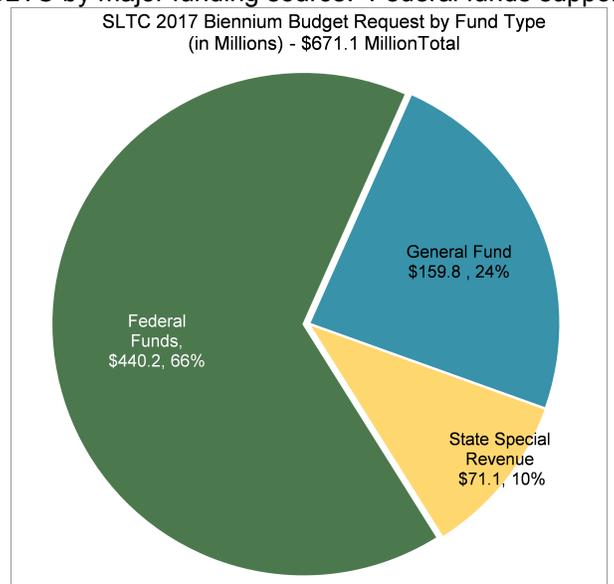
congregate meals, and other support services.

Personal services are 4% of the total, and fund the cost of state employees. Operating costs are 3%. The largest share of personal services and operating costs of the SLTC division pay for staff and operating of the Montana Veterans' Home. Equipment, debt service, and transfers are less than 1% of the total.

*Major Funding Source*

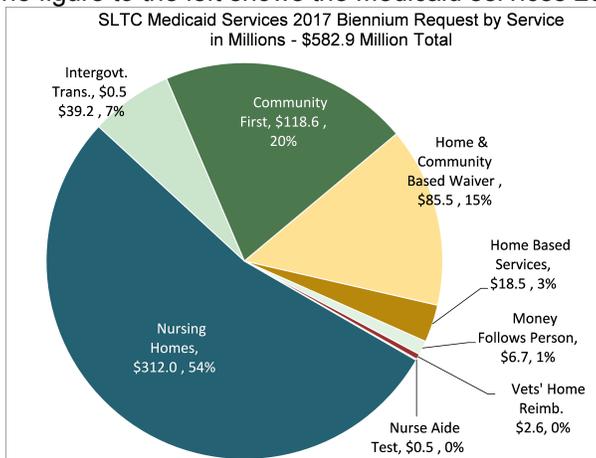
The figure to the right shows the 2017 biennium budget request for SLTC by major funding source. Federal funds support 66% of the total and are primarily comprised of Medicaid matching funds, aging services grants, and Veterans' Administration (VA) per diem payments for Montana veterans' homes services.

General fund is just under one quarter of the total. Predominant uses of general fund include state matching funds for Medicaid services and administration, adult protective services, and other administrative costs. State special revenue consists of cigarette tax revenue that supports Montana veterans' homes, and various taxes and fees that fund a portion of state Medicaid match. Funding is discussed in greater detail in the Funding section.



*Medicaid Services*

The figure to the left shows the Medicaid services 2017 biennium budget request. As noted in Figure 1, Medicaid services are the largest component of the SLTC division budget request. Nursing home services are more than half the total. Coupled with intergovernmental transfer (IGT) funds and reimbursements for Montana Veterans' Home services, the request for Medicaid funded nursing home services rises to 61% of the total. The intergovernmental transfer (IGT) program allows counties that own and manage nursing homes to transfer county funds to the state to be used as state Medicaid matching funds. DPHHS uses the county match to draw down federal Medicaid funds and Medicaid nursing home rate. The additional funds are distributed to nursing homes based on the number of Medicaid eligible days of care provided.



Nursing home services are more than half the total. Coupled with intergovernmental transfer (IGT) funds and reimbursements for Montana Veterans' Home services, the request for Medicaid funded nursing home services rises to 61% of the total. The intergovernmental transfer (IGT) program allows counties that own and manage nursing homes to transfer county funds to the state to be used as state Medicaid matching funds. DPHHS uses the county match to draw down federal Medicaid funds and Medicaid nursing home rate. The additional funds are distributed to nursing homes based on the number of Medicaid eligible days of care provided.

**Community Services**

Community services for aged, blind or disabled persons account for 39% of the SLTC Medicaid services budget request. These funds provide a variety of services that help persons live in home and community based settings and avoid placement in facility based care. In order to be eligible for community services, persons must be Medicaid eligible and must require hospital or nursing home level of care. Examples of services include personal care assistance with activities of daily living, home health, transportation, emergency contingent planning, hospice, and meal preparation.

**Budget by Year by Major Component**

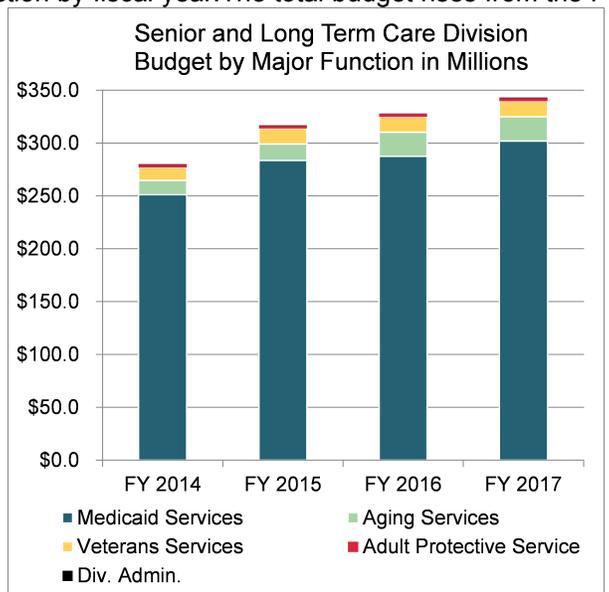
The figure to the right shows the SLTC Division budget by major function by fiscal year. The total budget rises from the FY 2014 expenditure level of \$316.8 million to the FY 2017 executive request of \$343.1 million, for an average annual growth rate of 7%.

Most of the increase is in the Medicaid services component of the division budget. It grows from \$251.3 million to \$301.9 million, which is about 6% annually. Aging services increases from \$13.4 million to \$23.0 million, for an annual rate of 20%.

The largest change between fiscal years is from FY 2014 expenditures to the FY 2015 legislative base budget, which is a \$36.8 million increase. The incremental change from FY 2015 through FY 2017 is about 70% of that amount at \$27.2 million.

**Comparison of FY 2015 Legislative Appropriation to the FY 2015 Appropriation as Implemented by the Executive**

The following figure shows the FY 2015 appropriation compared to executive implementation. The FY 2015 legislative appropriation is a net \$355,571 lower than the FY 2015 appropriation listed in the main program table due to:



- Inclusion of several one-time appropriations for, with the most significant being:
  - Housing assistance for persons transitioning from facility based to community services - \$300,000 general fund
  - Traumatic brain injury services - \$50,000 general fund
- A transfer of authority to Technology Services Division to fund computer support for a new field office location due to Bakken oil field activity - \$8,005

FY 2015 Appropriation Transactions - Department of Public Health & Human Services						
Program	Legislative Appropriation	Legislative App OTO	House Adj	Operating Plan	Program Transfers	Total Executive Implementation
SLTC	\$316,843,941	\$355,571	\$0	\$0	(\$7,724)	\$317,191,507
SLTC	-	-	-	-	(281)	
SLTC	-	-	-	(5,000)		
SLTC	-	-	-	5,000		
SLTC	-	-	(157,095)	-	-	
SLTC	-	-	157,095	-	-	
SLTC	-	-	(169,000)	-	-	
SLTC	-	-	164,500	-	-	
SLTC	-	-	(18,986)	-	-	
SLTC	-	-	18,986	-	-	
SLTC	-	-	(10,000)	-	-	
SLTC	-	-	10,000	-	-	
SLTC	-	-	(212,314)	-	-	
SLTC	-	-	212,314	-	-	
SLTC	-	-	4,500	-	-	
SLTC	-	-	(324,351)	-	-	
SLTC	-	-	324,351	-	-	
SLTC	-	-	(1,500,000)	-	-	
SLTC	-	-	1,500,000	-	-	
SLTC	-	-	(636,287)	-	-	
SLTC	-	-	636,287	-	-	
SLTC	-	-	(10,000)	-	-	
Senior and Long Term Care	-	-	10,000	-	-	
<b>Program Total</b>	<b>\$316,843,941</b>	<b>\$355,571</b>	<b>\$0</b>	<b>-</b>	<b>(\$8,005)</b>	<b>\$317,191,507</b>

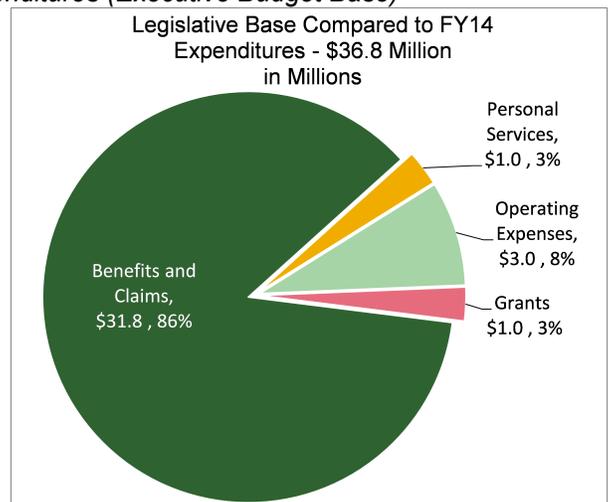
There were also adjustments internal to the division to align appropriation authority and expenditures that do not affect total appropriation authority.

*Comparison of the FY 2015 Legislative Base to FY 2014 Actual Expenditures (Executive Budget Base)*

The figure to the right shows the difference between the legislative base budget and FY 2014 expenditures by component. The base budget is higher primarily as the result of:

- Medicaid service utilization, caseload growth, and a 2% provider rate increase in FY 2015 approved by the 2013 Legislature - \$31.8 million
- Operating expenses of the Montana veterans' homes and other programs - \$3.0 million
- Personal services changes - \$1.0 million

A more detailed explanation of the differences between FY 2014 expenditures and the legislative base budget is provided as part of the discussion of the major components of the executive budget request for the 2017 biennium.



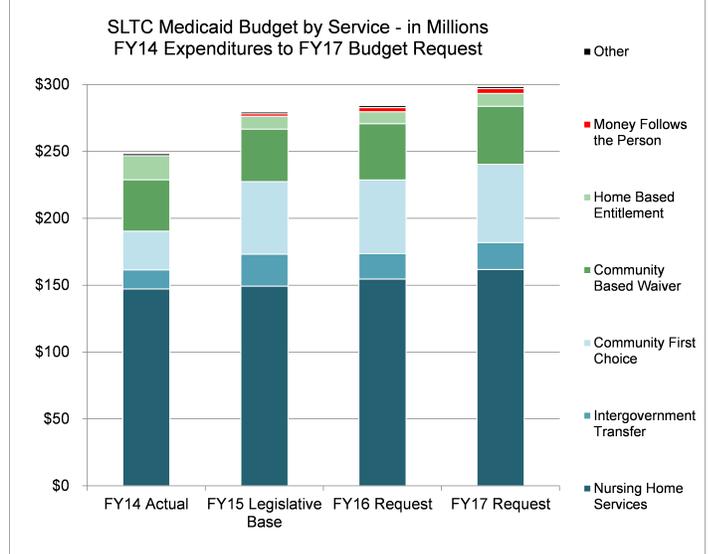
*Medicaid Services*

The figure to the right shows the SLTC Medicaid services budget by major service by fiscal year. This figure includes only reimbursements for Medicaid services. It does not include any of the SLTC administrative or operating costs related to Medicaid program administration.

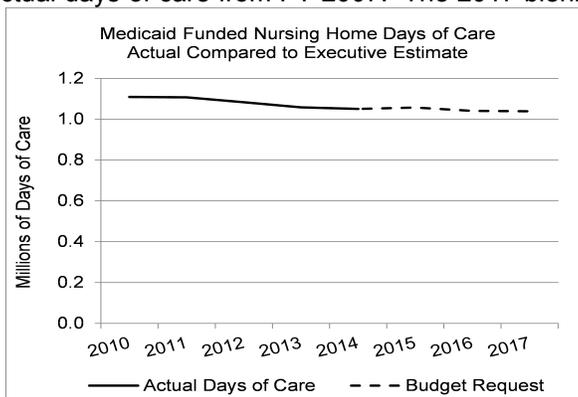
As noted previously, nursing home services (including IGT payments) are the majority of Medicaid services expenditures for the division. For the most part, the other services support the ability of persons to live in home and community services who might otherwise be served in facility based care.

Nursing Home Services

Nursing home services costs increase from \$147.2 million to \$161.7 million. The growth is primarily the result of 2% annual provider rate increases over all four years, with 2% approved by the 2013 Legislature and 2% requested in the executive budget for the 2017 biennium. In addition to a general rate increase, the executive budget includes a rate increase to raise direct care worker wages 50 cents per hour each year of the 2017 biennium. Part of the wage increase – 35 cents - is for salary and the remainder would cover the cost of benefits.



The figure below shows the executive budget estimate for Medicaid funded days of nursing home services compared to actual days of care from FY 2007. The 2017 biennium base budget request for this service is the number of days of care times the base amount of the daily rate. Any provider rate or direct care worker wage increases are added onto the base amount.



The days of care have declined steadily over the last several biennia. The executive request is based on a 0.9% increase from FY 2014 to FY 2015, followed by a 1.5% decline in FY 2016 and a 0.3% decline in FY 2017. The total budget request for nursing home services rises despite the decline in the number of days of care due to the proposal to raise provider rates and provide direct care worker wage increases.

<b>LFD COMMENT</b>	<p>Updates to Medicaid Estimates</p> <p>Historically, the legislature has considered an update to Medicaid estimates during the legislative session. There will be more data available to refine the FY 2015 estimated days of care and to revise caseload changes for the 2017 biennium if necessary. A 1% change in the number of days of care causes a \$138,000 change in the funding, not including any of the new proposals that raise provider rates.</p>
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Intergovernmental Transfer

IGT payments contribute to the difference between FY 2014 expenditures and the legislative base budget. IGT payments were \$9.7 million lower in FY 2014 than the legislative base because there was less county money transferred, resulting in lower expenditures than the FY 2014 appropriation. In addition, the FY 2015 appropriation was slightly higher than the FY 2014 appropriation. The 2017 biennium request for IGT funding is \$8.7 million lower than the FY 2015 base budget doubled.

Community First Choice and Home Based Services

Together Community First Choice (CFC) and home based services expenditures were a net \$16.8 million lower in FY 2014 when compared to the FY 2015 legislative base budget. The 2013 Legislature approved the executive request to implement CFC, a new optional Medicaid service. Prior to FY 2014, most Medicaid funded personal care services were provided in the home based services category, but shifted to the CFC program. CFC has an enhanced federal match, which is 6% above a state's regular federal match rate.

In addition to provision of personal care, CFC requires developing a person centered service plan, including an emergency contact/response component in the plan, establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit, collecting and reporting information for federal oversight, and completing an evaluation of the program. Since most of personal care services were already being provided and paid for at the regular state match rate, implementation of CFC did not require additional general fund, but did require additional federal authority to fund the added requirements.

DPHHS submitted its CFC proposal for federal approval on October 1, 2013. It received federal endorsement in June 2014, which delayed full implementation of CFC, resulting in expenditures about \$25.2 million less than anticipated. However, since many of the services continued to be provided as part of the home based services program, there were \$8.4 more in expenditures for home based services compared to the legislative base. DPHHS moved appropriation authority between the services in order to balance authority with expenditures.

2017 Biennium Budget Request

The budget request for CFC and home based services is \$150,000 lower over the 2017 biennium than the legislative base budget doubled. The executive budget is based on full, annualized implementation of CFC with offsetting reductions in home based services as more of the services provided under the home based category in FY 2014 shift to CFC.

Even though the total funding for the 2017 biennium is close to the legislative base budget, there is a shift that increases general fund by \$1.4 million and lowers federal funds due to the Medicaid match rate change. The federal match rate declines each year of the 2017 biennium compared to FY 2015, raising the state matching funds necessary to provide the same level of services.

Community Based Waiver Services

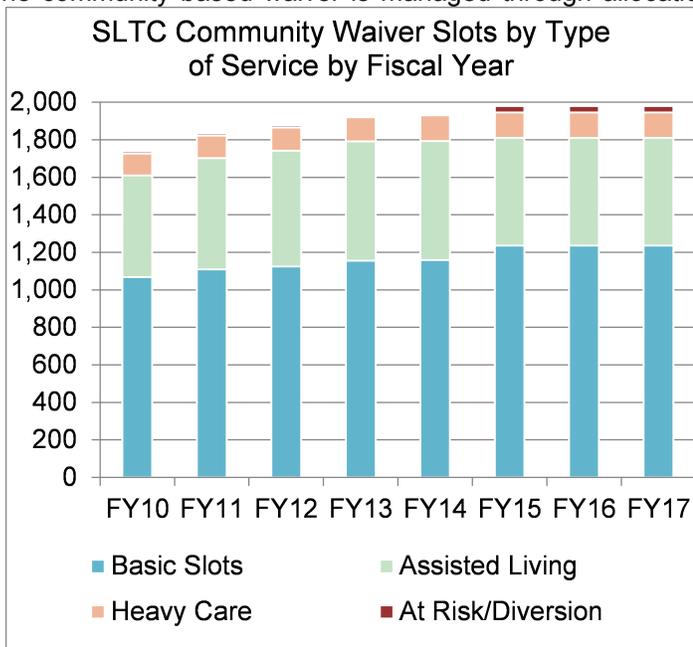
FY 2014 expenditures for community based waiver services were \$0.9 million lower than the FY 2015 legislative base budget. The difference is primarily due to increases in the FY 2015 appropriation authorized by the 2013 Legislature, including a 2% provider rate increase and slight growth in funding to offset waiver reductions implemented while the legislature was in session.

The 2017 biennium request for waiver services is \$4.4 million total funds, including \$2.9 million general fund, higher than the legislative base doubled. The increase funds:

- The annualized cost for 71 individuals who were transitioned or diverted from nursing home care and placed in community services throughout FY 2014
- A proposed 2% annual provider rate increase in the 2017 biennium
- A proposed direct care worker wage increase

Home and community based waiver service providers develop an individual service plan using a case management team, including the recipient. The service plan must meet the needs of the recipient and be cost effective. It is reviewed every 6 months or as the recipient's condition changes. Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as a number of specialized services for recipients with a traumatic brain injury.

The community based waiver is managed through allocation of various types of services depending on the health and needs of the individual. The figure to the left shows the types of services and the number of service slots available by type for FY 2010 through FY 2017.



The number of waiver slots was reduced in order to stay within appropriations while the 2013 Legislature was in session. The legislature added appropriation authority to partially mitigate the reduction. While the total number of service slots increased from 1,926 in FY 2013 to 1,980 in FY 2015 and beyond, the allocation of slots among service types changed.

Assisted living slots declined by 61, while all other slots increased. Basic waiver slots grew by 81 and heavy care increased by 6. In order to partially offset the decline in assisted living slots, the division established 28 more at risk/nursing home diversion slots.

**LFD COMMENT**

**Waiver Capacity and Federal Regulatory Changes**

The legislature may wish to discuss waiver capacity with SLTC. Community waiver services can help prevent placement in facility based care, which is often more expensive than community services. Although there is a planned transition from facility based care to community services using the Money Follows the Person grant funding (discussed next), the legislature may wish to ask SLTC what else it might do to ensure that persons are not placed in facility based care if they could be served in the community.

Federal regulations defining the characteristics of home and community based settings were finalized in 2014. The purpose of these regulations is to ensure that individuals receive Medicaid community waiver services in settings that are integrated in, and support full access to, the greater community. The goals include opportunities to engage in community life, control personal resources, receive services in the community, and, when appropriate, seek employment and work in competitive and integrated settings to the same degree as individuals who do not receive community waiver services.

The federal regulations also aim to ensure that individuals have a free choice of where they live and who provides services to them, as well as ensuring that individual rights are not restricted. These new regulations clarify that community waiver services will not be allowed in settings that have the qualities of an institution.

States have five years to come into compliance with the new regulations. Montana has begun the planning process, which requires:

- Development and submission of a transition plan
- Involvement of stakeholders in the plan
- Assessment of services to determine whether the services comply with regulations
- Remediation to address services that don't comply

Some states have determined that services such as group home and supported employment services must be changed to facilitate community integration and consumer choice. DPHHS has not determined the impact to Montana services due to these regulations. The legislature may wish to discuss the potential impact of these regulations on community waiver

services in the 2017 biennium. The legislature may also wish to request that the Legislative Finance Committee monitor this issue during the interim between legislative sessions.

Money Follows the Person

Money Follows the Person (MFP) is a 5 year federal grant that allows states to fund community services for Medicaid eligible persons leaving facility based care. MFP expenditures were \$1.8 million lower in FY 2014 than the legislative base budget.

Under MFP, the state match rate for the first year of services is one half the regular state Medicaid match rate and a wider array of services can be funded in the first year of transition to community services compared to other Medicaid community funded programs. The expectation is that persons served in MFP will transition to Medicaid funded home and community based services following the first year of MFP services.

**LFD COMMENT**

Fewer Number Served Under MFP than Estimated During 2013 Legislative Session

MFP expenditures were lower than expected because fewer persons were served than had been estimated. The figure shows the number of persons that the 2013 Legislature anticipated would be served under MFP compared to the total number served as of November 7, 2014. The data in the table is calendar year data.

Money Follows the Person Demonstration									
Estimated and Actual of Number of Persons Served 2013 and 2014 and Estimated Number to be Served by Calendar Year									
Group	CY 2013			CY 2014			CY 2015 Est.	CY 2016 Est.	CY 2017 Est.
	Original	Revised	Actual	Original	Revised	Actual			
Elderly	5	0	0	10	2	1	5	10	10
Developmental Disability	5	0	0	5	3	5	5	5	5
Physical Disability	5	0	0	10	3	1	10	10	10
Mental Illness	3	0	0	7	3	1	3	7	7
Other*	15	0	0	30	12	3	24	30	30
Total as of 11/7/14	33	0	0	62	23	11	47	62	62

MFP transitions occurred more slowly than anticipated. DPHHS revised its original estimate of the number to be served in both 2013 and 2014. The original estimate provided to the 2013 Legislature anticipated that 95 people would be identified and transitioned from facility based care to community services as part of MFP in calendar years 2013 and 2014. After DPHHS revisions, the estimated number to be served was 23. As of November 2014, 11 persons had been transitioned from facility

based care to community services under MFP.

The legislature may wish to request that DPHHS discuss its plan about how it will identify and transition persons from facility based care to community services and fully expend the MFP grant. The legislature may wish to consider requesting that the Legislative Finance Committee track implementation of the plan during the 2017 biennium.

*Veterans' Services*

The executive budget request for veterans' home services compared to the 2015 biennium budget is shown in the following figure Montana Veterans' Home (MVH) is the most significant component of the request because it is a state administered facility. Eastern Montana Veterans' Home (EMVH) has contracted management, where the state passes through the federal VA reimbursement and some cigarette tax state special revenue. The balance of EMVH revenues is paid directly to the contracted manager and therefore not included in the table. Since not all of the EMVH costs and revenues are reflected in the following figure, the budget information between the two facilities is not comparable.

The executive budget does not include a request for funding for the proposed Southwest Montana Veterans' Home (SMVH). As of November 2014, the home has not scored high enough in the federal VA priority list to receive federal construction funding. SMVH is included in the legislative base budget per the guidelines that include all HB 2 appropriations except for those designated as one-time.

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*FY 2014 Expenditures Compared to FY 2015 Legislative Base*

The executive budget does not include a request for funding for the proposed Southwest Montana Veterans' Home (SMVH). As of November 2014, the home has not scored high enough in the federal VA priority list to receive federal construction funding. SMVH is included in the legislative base budget per the guidelines that include all HB 2 appropriations except for those designated as one-time.

*FY 2014 Expenditures Understated*

The expenditures for FY 2014 are understated by \$1.2 million in federal VA reimbursements. The executive received higher reimbursements than budgeted in HB 2 and added the additional authority by budget amendment. Since budget amendment authority is not included in the FY 2014 base expenditures, the true operating costs and funding for both facilities are understated by:

- \$0.8 million for MVH
- \$0.5 million for EMVH

Senior and Long Term Care Division - Veterans' Homes				
FY 2014 Base Budget, FY 2015 Base, and Revenues Compared to 2017 Biennium Budget Request and Revenues				
Facility/ Cost/Funding	Expenditures		Budget Request	
	FY 2014*	Legislative Base FY 2015	FY 2016	FY 2017
<b>Montana Veterans' Home</b>				
FTE	141.86	141.86	141.86	141.86
Personal Services**	\$7,294,525	\$7,774,841	\$8,121,447	\$8,107,288
All Other	<u>2,300,513</u>	<u>3,614,281</u>	<u>3,149,981</u>	<u>3,258,689</u>
Total Cost	9,595,038	11,389,122	11,490,539	11,786,671
State Special Rev.	5,801,863	7,799,850	6,447,089	6,767,399
Federal Revenue*	<u>3,793,175</u>	<u>2,863,284</u>	<u>5,043,450</u>	<u>5,019,272</u>
Total Funding	9,595,038	10,663,134	11,490,539	11,786,671
Population**	112	96	96	96
Annual Cost Per Person***	86,031	111,074	119,693	122,778
Cost Per Day	236	304	328	336
Annual Change		29.1%	7.8%	2.6%
Annual Per Person Reimbursement				
State Special Revenue	52,021	81,248	67,157	70,494
Annual Change		56.2%	-17.3%	5.0%
Federal Special Revenue*	34,010	29,826	52,536	52,284
Annual Change		-12.3%	76.1%	-0.5%
<b>Eastern Montana Veterans' Home</b>				
FTE	2.06	2.06	1.06	1.06
Personal Services	66,746	73,945	69,498	69,810
All Other	<u>2,384,668</u>	<u>2,575,542</u>	<u>2,836,284</u>	<u>2,836,137</u>
Total Cost	2,451,414	2,649,487	2,905,782	2,905,947
State Special Revenue	273,384	272,975	277,753	277,918
Federal Special Revenue*	<u>2,178,030</u>	<u>2,369,952</u>	<u>2,628,029</u>	<u>2,628,029</u>
Total Funding	2,451,414	2,642,927	2,905,782	2,905,947
Population*	68	58	57	58
Annual Cost Per Person**	35,892	45,256	50,889	50,016
Cost Per Day	98	124	139	137
Annual Change		26.09%	12.45%	-1.72%
Annual Per Person Reimbursement				
State Special Revenue	4,003	4,674	4,864	4,783
Annual Change		16.8%	4.1%	-1.7%
Federal Special Revenue*	31,889	40,581	46,025	45,233
Annual Change		27.3%	13.4%	-1.7%
<b>Southwest Montana Veterans' Home</b>				
FTE	-	1.00	-	-
Personal Services	-	60,595	-	-
All Other	-	<u>1,265,454</u>	-	-
Total Cost	-	1,326,049	-	-
State Special Revenue	-	206,703	-	-
Federal Special Revenue	-	<u>1,113,615</u>	-	-
Total Funding	-	1,320,318	-	-
<b>Grand Total</b>				
State Special Revenue	6,075,247	8,279,528	6,724,842	7,045,317
Federal Special Revenue	5,971,205	6,346,851	7,671,479	7,647,301
Total Funding	\$12,046,452	\$14,626,379	\$14,396,321	\$14,692,618
*FY 2014 expenditures for MVH do not include an additional \$0.8 million of federal VA reimbursement added by budget amendment. EMVH expenditures do not include an additional \$0.5 million.				
**The FY 2015 population is based on DPHHS estimates as of November 2014 and the appropriation amounts are those included in HB 2. Pay plan allocations to each facility have been estimated by LFD staff as the amount of pay plan allocated to the veterans' homes is not included in the state accounting system.				
***Annual per person costs cannot be compared across facilities. There may be other costs and revenues associated with EMVH and SWMVH that are not included in HB 2 appropriations.				
****The executive budget does not include a request for the SWMVH. However, the appropriation is included in the legislative base budget according to guidelines that HB 2 appropriations that were not designated as a one-time appropriation be included in the base.				

*Executive Request Compared to Legislative Base Budget*

The 2017 executive budget request is \$0.1 million below the legislative base budget doubled. If the appropriation for SWMVH, which is not requested, is removed from consideration, the executive request is \$2.5 million higher than the base budget doubled.

**LFD  
ISSUE**

**Declining Population at MVH not Reflected in Lower Costs**

The executive budget estimates that population at MVH will decline from 112 annual residents in FY 2014 to 96 estimated in each of the following years. Despite the lower census, the executive budget does not account for lower costs associated with serving fewer persons. The average cost per resident rises from \$86,031 to \$122,778 in FY 2017, or a total increase of 43%. If the budget amendment expenditures are included in the FY 2014 expenditures, the per person cost would be \$93,195, an increase of 32%.

The figure to the left shows the FY 2014 actual expenditures for variable costs that increase in the executive budget request and the amount in FY 2017. Most of the cost categories would decline if there are fewer residents. These variable costs grow from \$8,502 per person to \$14,040 per person or a 65% change from FY 2014 to FY 2017.

The legislature may wish to review updated information about the number of residents at both MVH and EMVH before it establishes appropriations for the facilities. The figure to the right shows the actual and projected MVH population from FY 2010 through FY 2017.

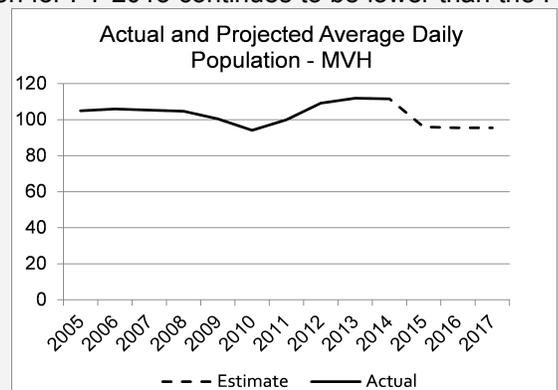
Variable Cost Increases - MVH		
Expense	FY 2014 Expenditures	FY 2017 Request
Laboratory Testing	\$20,214	\$28,447
Laundry	105,967	132,465
Medical Services	72,004	90,004
Food Services Expense	12,428	14,914
Prescription Services	122,821	180,205
Clothing & Personal	5,050	6,676
Disposable Briefs	64,533	93,638
Medical & Hosp Supp/Equip	78,503	115,380
Drug	42,039	61,107
Paper/Non State Provider	46,885	68,023
Meat	61,651	92,053
Dairy	47,080	70,599
Produce	39,711	59,016
Bakery	15,570	20,550
Linens & Bedding	18,741	23,712
Grocery	143,001	214,738
Water & Sewage	38,080	48,181
Garbage & Trash Removal	18,012	28,134
<b>Total</b>	<b>\$952,290</b>	<b>\$1,347,842</b>
ADP	112	96
<b>Per Person Cost</b>	<b>\$8,503</b>	<b>\$14,040</b>
<b>Percent Change</b>		<b>65.1%</b>

If the average daily population for FY 2015 continues to be lower than the FY 2014 level, the legislature may wish to revise variable costs associated with providing services to a lower population.

*Legislative Audit Finding*

The 2011 Joint Appropriations Subcommittee on Health and Human Services requested that the

Legislative Auditor undertake an audit with respect to the level of expenditures at MVH. The 2013 Joint Appropriations Subcommittee heard the results of the audit, including a finding that there were areas of costs at MVH that could be reduced. DPHHS agreed with the audit finding and agreed to develop a cost reduction plan. In the follow up to the 2012 audit, the Legislative Audit Division



noted that the cost reduction plan had not been developed nor implemented.

The legislature may wish to request a cost reduction plan from SLTC prior to establishing the appropriation for MVH. The cost reduction plan could assist the legislature in establishing appropriation levels, particularly if the population at MVH is declining.

*Other Issues Related to MVH*

There are issues related to funding for MVH discussed in the Funding section that are also influenced by the average daily population. For instance, if the census remains constant at or near 112, the level of funding from federal VA per diem payments and other payment sources is understated by as much as \$2.6 million over the biennium. However, if

the population level declines to 96, the amount of federal VA per diem payments and other revenue available would also decline.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Medicaid and Health Services Branch, 22-Senior & Long Term Care Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	159,832,887	0	0	159,832,887	23.82 %	
02023 Private Ins. Medicaid Reim.-Ve	10,074,402	0	0	10,074,402	14.18 %	
02032 Vets-I&I Lease	30,264	0	0	30,264	0.04 %	
02053 Medicaid Nursing Home Match	15,109,512	0	0	15,109,512	21.26 %	
02260 Cigarette Tax Revenue	3,692,099	0	0	3,692,099	5.20 %	
02497 6901-Lien & Estate - SLTCD	2,388,085	0	0	2,388,085	3.36 %	
02772 Tobacco Hlth & Medico Initiative	21,392,318	0	0	21,392,318	30.10 %	
02783 6901-Traumatic Brain Injury Dn	6,932	0	0	6,932	0.01 %	
02959 EMVH Clinic Rent	95,165	0	0	95,165	0.13 %	
02987 Tobacco Interest	1,763,432	0	0	1,763,432	2.48 %	
02990 69010-Nursing Home Utilization	16,514,506	0	0	16,514,506	23.24 %	
<b>State Special Total</b>	<b>\$71,066,715</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,066,715</b>	<b>10.59 %</b>	
03005 EMVH V-A Nursing Reimbursement	5,256,058	0	0	5,256,058	1.19 %	
03073 Aging - Farmers Market	390,236	0	0	390,236	0.09 %	
03112 Vets-V.A. Reimb	8,211,482	0	0	8,211,482	1.87 %	
03193 MIPPA AAA	0	0	0	0	0.00 %	
03202 MIPPA CMS	0	0	0	0	0.00 %	
03279 SLTC Lifespan Respite	107,694	0	0	107,694	0.02 %	
03350 Aging-SHIP-ACL	1,255,351	0	0	1,255,351	0.29 %	
03368 MIPPA CMS - SHIP	0	0	0	0	0.00 %	
03372 MIPPA CMS - ADRC	144,558	0	0	144,558	0.03 %	
03381 MIPPA CMS - AAA	0	0	0	0	0.00 %	
03456 69010-AOA Aging One-Stop Shop	316,582	0	0	316,582	0.07 %	
03501 64.014 - Vets St. Domic Care 1	1,851,240	0	0	1,851,240	0.42 %	
03511 SW MT Vet Home Cnstr	0	0	0	0	0.00 %	
03512 MFP Demonstration Grant	0	0	0	0	0.00 %	
03514 10.570 - Elderly Feeding 100%	3,909,222	0	0	3,909,222	0.89 %	
03515 93.041 - Elder Abuse Prev 100%	85,996	0	0	85,996	0.02 %	
03516 93.042 - Ombudsman Activity 10	310,874	0	0	310,874	0.07 %	
03517 93.043 - Preventive Hlth 100%	430,412	0	0	430,412	0.10 %	
03518 93.044 - Aging Sup S & Train 1	7,922,573	0	0	7,922,573	1.80 %	
03519 93.045 - Aging Meals 100%	13,766,196	0	0	13,766,196	3.13 %	
03537 93.779 - Hlth Info Counseling	0	0	0	0	0.00 %	
03563 Community Living	0	0	0	0	0.00 %	
03579 93.667 - SSBG - Benefits	650,511	0	0	650,511	0.15 %	
03580 6901-93.778 - Med Adm 50%	4,578,471	0	0	4,578,471	1.04 %	
03583 93.778 - Med Ben Fmap	388,013,623	0	0	388,013,623	88.14 %	
03666 Aging - Caregiver III-E	3,038,166	0	0	3,038,166	0.69 %	
03819 MIPPA ADRC	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$440,239,245</b>	<b>\$0</b>	<b>\$0</b>	<b>\$440,239,245</b>	<b>65.60 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$671,138,847</b>	<b>\$0</b>	<b>\$0</b>	<b>\$671,138,847</b>		

The table above shows funding for the SLTC division. SLTC is funded by general fund, state special revenue, and federal funds. General fund supports:

- State Medicaid match
- Aging services
- Adult protective services

- Administrative costs

General fund increases due to:

- Annual 2% provider rate increases for Medicaid and aging services
- Direct care worker wage increases
- Medicaid services increases
- Higher state Medicaid matching costs due to the reduction in the federal match rate

Most state revenue sources are used as a match for Medicaid services, including:

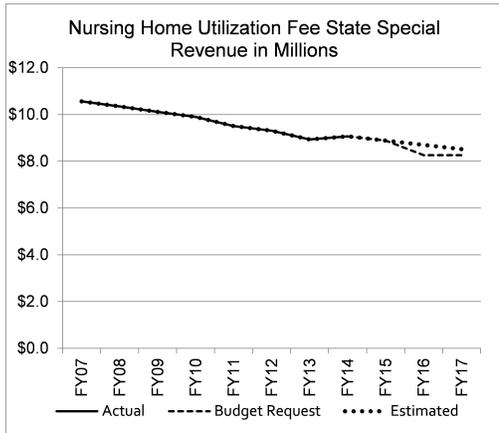
- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

Other state special revenue sources are used to fund the Montana veterans' homes including:

- Cigarette taxes
- Payments for facility services

*Nursing Home Utilization Fee*

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care. The total fee levied is \$8.30 per day, with \$2.80 of the fee deposited to the general fund and the balance (\$5.50) deposited to a state special revenue account.



The figure to the left shows the nursing home utilization fee revenue. Actual receipts are shown for FY 2007 through FY 2014. FY 2015 and FY 2016 data compares the revenue estimate adopted by the Interim Committee on Revenue and Transportation to the amount included in the executive budget request. The legislative revenue estimate is about \$0.7 million higher than the executive request.

Historically, the number of days of nursing home care has fallen steadily since the mid-1990s, with the exception of FY 2010 and FY 2014. The projected change for the 2017 biennium continues the historic decline with revenues estimated to decrease by 2.1% per year in the 2017 biennium. The executive budget holds the revenue from the nursing utilization fee constant across the 2017 biennium, but assumes that the level will be higher than the revenue estimate.

*Cigarette Tax Revenue*

By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans' nursing home costs at state operated veterans' homes. Statute requires that funds in excess of \$2.0 million in the veterans' portion of the cigarette tax revenue be transferred to the general fund at the end of the fiscal year. The table below shows the estimated revenue, expenditures, and fund balance for the cigarette state special revenue account as well as the actual or estimated transfer to the general fund at fiscal yearend.

Senior and Long Term Care Division Veterans' Services - Cigarette Tax Fund Balance					
Fund Balance	Actual	Appropriated	Executive Budget Request		% of Total
Deposits/Expenditures	FY 2014	FY 2015	FY 2016	FY 2017	
Beginning Fund Balance*	\$2,086,942	\$2,000,000	\$2,000,000	\$2,210,000	
Revenue/Transfers In**					
Cigarette Tax	5,789,774	5,859,000	5,754,000	5,577,000	
Total Revenue	7,876,716	7,859,000	7,754,000	7,787,000	
Expenditures/Transfers Out**					
<u>Veterans' Homes Operations</u>					
Montana Veterans' Home	750,173	3,062,149	1,394,739	1,715,083	57.6%
Eastern Montana Veterans' Home	225,813	272,975	230,171	230,335	7.7%
Southwest Montana Veterans' Home***	-	206,703	-	-	0.0%
<u>Transfers/DPHHS Administrative Costs</u>					
Long Range Building MVH	4,157,425	-	-	-	
DPHHS Cost Allocated Admin	380,911	392,338	404,108	416,232	14.0%
SLTC Division Admin Cost	61,055	61,055	60,962	60,809	2.0%
Subtotal Expenditures	5,575,377	3,995,220	2,089,980	2,422,459	81.4%
Annual Rate of Increase		-28%	-48%	16%	
Adjustments	(30,606)	-	-	-	
<i>Transfer to the General Fund</i>	270,733	1,863,780	3,454,019	3,154,541	
Ending Fund Balance	\$2,000,000	\$2,000,000	\$2,210,000	\$2,210,000	

\* Statute requires that at fiscal year end unexpended cash balances in excess of \$2.0 million be transferred to the general fund.

\*\* Revenue estimates are based on those adopted by the Interim Revenue and Transportation Committee at its November 2014 meeting.

\*\*\*The executive budget does not include a request for the Southwest Montana Veterans' Home.

Cigarette taxes are a declining revenue source, and revenue estimates adopted by the Interim Committee on Revenue and Transportation decrease from a base amount of \$5.8 million to \$5.6 million in FY 2017. Services supported by the cigarette tax include:

- Operational costs of Montana veterans' homes
- Indirect administrative costs of DPHHS
- Long range building projects

The lion's share of cigarette tax revenue dedicated to veterans' services supports MVH, with a request of \$3.1 million over the 2017 biennium. The EMVH and budget request is about \$230,000 annually.

Indirect costs - DPHHS centralized services and some statewide centralized services - continue to rise from about \$381,000 in FY 2014 to an estimated \$416,000 in FY 2017. Indirect cost increases are driven by:

- Employee pay levels

- Statewide fixed cost changes
- Inflation
- Growth in operating costs

**LFD ISSUE**

**Other Funding Understated Causing Shift to Cigarette Tax Revenue**

As noted earlier, funds in excess of \$2 million in cigarette tax state special revenue allocated to support veterans' homes must be transferred to the general fund at fiscal yearend. To the degree that other funding sources are available to cover the cost of services – especially at the MVH - the need for cigarette tax revenue is reduced and the transfer to the general fund is increased.

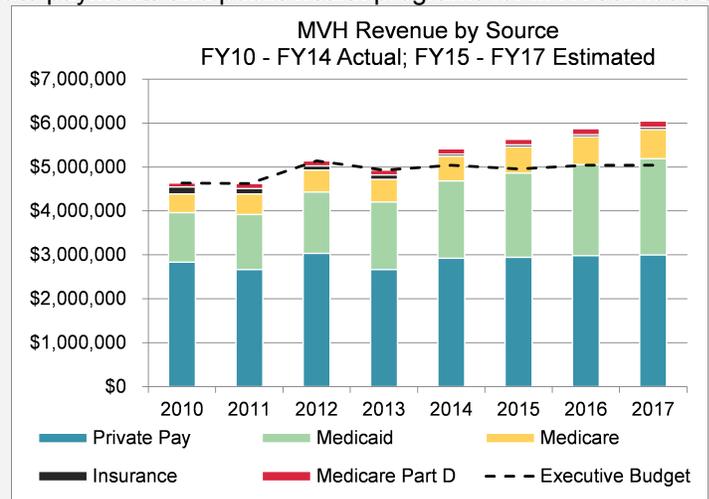
As noted earlier, the executive budget request is based on a declining population at MVH. However, if the MVH population does not decline or if the legislature reduces variable spending at MVH for a lower population, the legislature could maximize other funding sources available to support MVH and increase general fund revenues by up to \$2.6 million over the 2017 biennium. The total increase in general fund revenue depends on population estimates for MVH over the 2017 biennium and whether the legislature was to reduce variable operating costs if population levels decline.

*Other Sources*

The executive budget understates two funding sources available to support the veterans' homes, thereby shifting the cost to cigarette tax funding. Those sources are payments from various entities for reimbursement of MVH services and federal per diem payments made by the Veterans' Administration (VA).

*Facility Reimbursements for MVH Services*

The figure to the right shows the estimated revenue from private payments and public health programs for MVH services by fiscal year if the average daily population of MVH remains near the FY 2014 level. Actual data is shown through FY 2014 and estimated data based on revenue estimates adopted by the Interim Committee on Revenue and Transportation is shown for FY 2015 through FY 2017.



The executive budget request for the 2017 biennium holds facility reimbursement for MVH at the expenditure level recorded in the state accounting system for FY 2014. However, reimbursements are projected to increase by about \$1.0 million per year above that amount. The legislature could establish appropriations from facility reimbursement revenue at the level adopted by Interim Committee on Revenue and Transportation and lower the cigarette tax by a like amount, increasing general fund revenue by about \$2.0 million over the biennium.

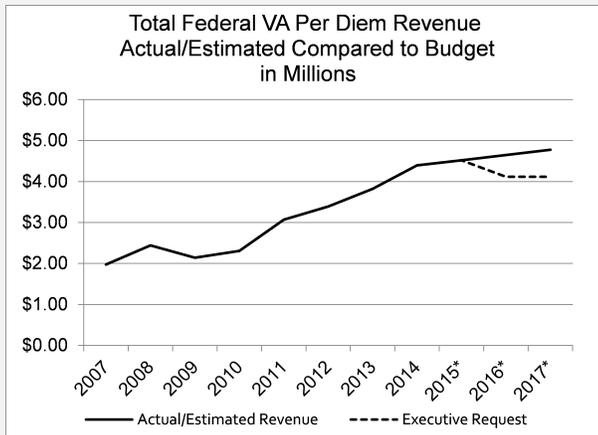
*Federal Funds*

Federal funds increase over the 2017 biennium due to:

- Medicaid services for provider rate increases and growth in service utilization
- Aging services grants
- Less Medicaid federal match due to a lower federal match rate
- Higher anticipated federal VA per diem payments

*Federal VA Per Diem*

The executive budget understates the estimated increase in federal VA per diem rates expected during the 2017 biennium, causing an increase in the amount of cigarette tax revenue needed to support MVH by up to \$0.8 million. The executive



budget request includes less federal VA per diem payment revenue annually than was received in FY 2014. As noted previously, the executive budget is based on a lower population at MVH over the 2017 biennium.

The figure to the left shows actual and estimated VA per diem revenue available for the operation of the veterans' homes compared to the executive budget request. Total revenue has steadily increased from FY 2009 through FY 2015.

Annual increases in the per diem payment per eligible veterans have ranged from a high of 18% from 2010 to 2011 to a low of 1.3% from 2013 to 2014. Increases have averaged 2.8% annually over the most recent 4 years. Depending on whether the legislature reduces

MVH operating costs or adjusts the average daily population upward, it could increase federal VA per diem reimbursement by about \$0.8 million over the biennium and reduce cigarette tax funding by a like amount, which would increase the transfer of cigarette tax revenue to the general fund.

The legislature could also consider adding language to HB 2 to allow state special revenue to be reduced and federal authority to be increased as allowed by section 17-2-108(3), MCA if federal per diem payment revenue is higher than anticipated. This action would increase the transfer of cigarette state special revenue to the general fund.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	70,446,633	70,446,633	140,893,266	88.15 %	316,849,512	316,849,512	633,699,024	94.42 %
PL Adjustments	3,192,816	4,994,853	8,187,669	5.12 %	1,067,543	6,020,389	7,087,932	1.06 %
New Proposals	3,583,517	7,168,435	10,751,952	6.73 %	10,174,189	20,177,702	30,351,891	4.52 %
<b>Total Budget</b>	<b>\$77,222,966</b>	<b>\$82,609,921</b>	<b>\$159,832,887</b>		<b>\$328,091,244</b>	<b>\$343,047,603</b>	<b>\$671,138,847</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	78,039	(1,131,006)	1,404,787	351,820	0.00	74,634	(644,511)	905,596	335,719
DP 99 - LEG. Present Law	0.00	3,114,777	(2,689,368)	290,314	715,723	0.00	4,920,219	(2,344,084)	3,108,535	5,684,670
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,192,816</b>	<b>(\$3,820,374)</b>	<b>\$1,695,101</b>	<b>\$1,067,543</b>	<b>0.00</b>	<b>\$4,994,853</b>	<b>(\$2,988,595)</b>	<b>\$4,014,131</b>	<b>\$6,020,389</b>

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	217.55	\$19,165	\$42,402	\$44,163	\$105,729
Executive Implementation of 2015 Pay Increase		42,139	75,132	85,711	202,982
Fully Fund 2015 Legislatively Authorized FTE		6,085	33,000	22,232	61,317
Other		10,650	(1,281,540)	1,252,682	(18,209)
<b>Personal Services Present Law Adjustments</b>	<b>217.55</b>	<b>\$78,039</b>	<b>(\$1,131,006)</b>	<b>\$1,404,787</b>	<b>\$351,820</b>
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	217.55	\$19,165	\$42,402	\$44,163	\$105,729
Executive Implementation of 2015 Pay Increase		42,145	75,315	85,522	202,982
Fully Fund 2015 Legislatively Authorized FTE		6,085	33,000	22,232	61,317
Other		7,239	(795,228)	753,679	(34,310)
<b>Personal Services Present Law Adjustments</b>	<b>217.55</b>	<b>\$74,634</b>	<b>(\$644,511)</b>	<b>\$905,596</b>	<b>\$335,719</b>

The executive budget for personal services increases by about 3% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the following table, 87% of the change is due to costs associated with HB 13 enacted by the 2013 Legislature. Other adjustments include:

- Longevity changes
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year

<b>LFD COMMENT</b>	<p>Funding Shift Reduces State Special Revenue and Increases Federal Authority</p> <p>There is a \$2.1 million dollar reduction in state special revenue and a like increase in federal funds in funding for personal services over the biennium. This change is due almost solely to the increase in federal VA per diem payments received for services provided by the Montana veterans' homes in FY 2014. Actual expenditures, which form the basis for the executive budget in the 2017 biennium includes a higher proportion of federal funds compared to the FY 2015 legislative base budget. In addition, the executive included a \$0.3 million funding shift that reduced state special revenue and increased federal funds each year of the biennium in the adjusted base budget for the Montana veterans' homes.</p>
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DP 99 - LEG. Present Law -

The following table shows present law adjustments in costs other than personal services. Each adjustment is discussed separately.

Legislative Present Law Adjustments				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
2222102 - Med Ben Core Nursing Homes	\$1,630,319	(\$990,150)	(\$2,780,186)	(\$2,140,017)
2222103 - Med Ben Core Home Based	(317,197)	(2)	(846,962)	(1,164,161)
2222106 - Med Ben SLTC Waiver Svcs	1,306,323	(260,849)	947,781	1,993,255
2222109 - Med Ben Other IGT	-	(1,354,413)	(3,587,400)	(4,941,813)
2222111 - Med Ben Core CFC	522,949	-	(782,264)	(259,315)
2222201 - Med Ben Other MFP	(111,500)	-	1,208,488	1,096,988
2222202 - Facility Reimbursements MVH	-	-	133,484	133,484
2222203 - Nurse Aide Testing	14,703	-	14,703	29,406
2222113 - State Supplemental Payments	42,422	-	-	42,422
2222116 - MVH Fed Auth Per Diem	-	-	779,998	779,998
2222117 - EMVH Fed Auth Per Diem	-	-	449,999	449,999
2222123 - Medicaid Operating Contracts	26,758	-	121,898	148,656
Other	-	(83,954)	4,630,775	4,546,821
<b>Legislative Present Law Adjustments</b>	<b>3,114,777</b>	<b>(2,689,368)</b>	<b>290,314</b>	<b>715,723</b>

FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
2222102 - Med Ben Core Nursing Homes	1,983,651	(990,150)	(3,511,053)	(2,517,552)
2222103 - Med Ben Core Home Based	(126,575)	(2)	(572,758)	(699,335)
2222106 - Med Ben SLTC Waiver Svcs	1,576,339	(260,849)	1,055,764	2,371,254
2222109 - Med Ben Other IGT	-	(842,999)	(2,951,471)	(3,794,470)
2222111 - Med Ben Core CFC	1,349,555	-	627,092	1,976,647
2222201 - Med Ben Other MFP	14,302	-	1,773,707	1,788,009
2222202 - Facility Reimbursements MVH	-	-	133,484	133,484
2222203 - Nurse Aide Testing	14,703	-	14,703	29,406
2222113 - State Supplemental Payments	50,190	-	-	50,190
2222116 - MVH Fed Auth Per Diem	-	-	779,998	779,998
2222117 - EMVH Fed Auth Per Diem	-	-	449,999	449,999
2222123 - Medicaid Operating Contracts	58,054	-	90,802	148,856
Other	-	(250,084)	5,218,268	4,968,184
<b>Legislative Present Law Adjustments</b>	<b>4,920,219</b>	<b>(2,344,084)</b>	<b>3,108,535</b>	<b>5,684,670</b>

2222102 Med Ben Core Nursing Homes - This present law adjustment represents the change between the legislative base budget and the executive budget request for Medicaid nursing home services. The adjustment includes the changes in the number of Medicaid funded days of nursing home care, the change in the state and federal Medicaid match rates, and a funding switch that increases general fund and reduces nursing home utilization fees.

<b>LFD COMMENT</b>	<p>Nursing Home Costs and Funding</p> <p>This legislative decision point includes both caseload adjustments and match rate adjustments. The caseload and match rate changes will be segregated into separate adjustments for consideration during the</p>
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legislative session. The estimate for the number of nursing home days of care is reviewed in the Division Budget Discussion.

2222103 Med Ben Core Home Based - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both caseload changes and the federal/state match rate changes. The executive request is based on changes from FY 2014 expenditures of 4.23% per year for home health, 9.79% for hospice, and an average of 9% for personal assistance programs. The adjustment is negative despite the underlying cost growth since the annual 2017 biennium request is above the FY 2015 legislative base budget.

2222106 Med Ben Waiver SLTCD - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both caseload changes and the federal/state match rate changes.

**LFD** Waiver Services

**COMMENT**

The caseload and match rate changes will be segregated into separate adjustments for consideration during the legislative session. The number of service slots and allocation among types of waiver services was reviewed in the Division Budget Discussion.

2222109 Med Ben Other NH IGT - This present law adjustment represents the change between the legislative base budget and the executive budget request for home based entitlement services. It includes both changes in the level of county funding anticipated and the federal/state match rate changes.

**LFD** IGT Appropriation

**COMMENT**

The county funding and match rate changes will be segregated into separate adjustments for consideration during the legislative session. The change in IGT among fiscal years was reviewed in the Division Budget Discussion. The executive has requested that language governing IGT be added to HB 2.

2222111 Med Ben Core CFC - This present law adjustment represents the change between the legislative base budget and the executive budget request for CFC services. It includes both changes in the level of services anticipated and the federal/state match rate changes.

2222201 Med Ben Other MFP - This adjustment represents the change between the legislative base budget and the executive budget request for Money Follows the Person (MFP) services.

2222202 Facility Reimbursements MVH - This adjustment represents the change between the legislative base budget and the executive budget request for Medicaid reimbursement for MVH services.

**LFD** Double Appropriation Authority in HB 2

**COMMENT**

This request provides double appropriation authority for a portion of MVH services. This issue is addressed in the DPHHS agency overview. The legislature could consider establishing a statutory appropriation for Medicaid reimbursements for all state facility services.

2222203 Nurse Aide Testing - This adjustment represents the change between the legislative base budget and the executive budget request for Medicaid reimbursement for the cost of nurse aide testing.

2222113 State Supplemental Payments - This present law adjustment supports an additional 30 people in FY 2016 and an additional 5 in FY 2017 for the State Supplemental Payment program. These people will be moving from facility based disability services into the community during the biennium. State supplemental payments provide a monetary addition to the Social Security payment made to SSI eligible individuals who reside in designated residential care facilities. Monthly benefits are \$94. In addition DPHHS pays the Social Security Administration an administrative fee to process payments. The administrative fee is estimated to increase to \$11.54 in 2016 and \$11.66 in 2017 per payment. Funding is 100% from the general fund.

2222116 MVH Fed Auth Per Diem - This present law adjustment increases federal authority for VA per diem reimbursement for the domiciliary and the nursing facility days of care at MVH. VA per diem rates change on October 1 of each year, and this adjustment assumes the 70%-disabled, service connected veterans per diem payments will increase 2%, and the traditional veterans per diem payments will increase 5% each year of the biennium.

**LFD  
COMMENT**

Increase in Federal VA Per Diem Payments Understated

As noted in the funding discussion, federal VA per diem payments have increased annually over the last four years. This decision point includes the increase above the amount appropriated by the legislature for FY 2014. The legislature could consider increasing the amount of federal VA per diem revenue above the level requested by the executive. The federal increase could be used to offset cigarette tax revenue and increase the transfer of cigarette tax revenue to the general fund.

2222117 EMVH Fed Auth Per Diem - This present law adjustment adds federal authority for the VA per diem payments that will be reimbursed for the nursing facility days of care EMVH. The VA per diem rate increases effective October 1st of each year. This adjustment is based on an estimated 2% annual increase in the VA per diem for 70% service connected veterans and a 5% increase for traditional veterans per diem in each year of the biennium. The federal VA payments are passed through to the contractor who operates the EMVH facility. This pass through is funded with 100% federal funds.

2222123 Medicaid Operating Contracts - This present law adjustment adds funds for operational contracts for the personal assistance, waiver case management and nursing home eligibility contracts.

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2222204 - Med Ben HCHCW Increase	0.00	111,852	0	278,148	390,000	0.00	113,139	0	276,861	390,000
DP 2222205 - Direct Care Worker Wage Increase	0.00	1,527,223	0	2,873,993	4,401,216	0.00	3,093,190	0	5,820,904	8,914,094
DP 2222206 - PRI Med Ben Core Nursing Homes	0.00	1,045,177	0	1,968,597	3,013,774	0.00	2,131,347	0	3,956,477	6,087,824
DP 2222207 - PRI Med Ben Core Home Based Services	0.00	37,866	0	71,322	109,188	0.00	77,218	0	143,342	220,560
DP 2222208 - PRI Med Ben Community Based Waiver	0.00	272,964	0	514,129	787,093	0.00	556,634	0	1,033,294	1,589,928
DP 2222209 - PRI Aging Services	0.00	232,757	0	0	232,757	0.00	470,170	0	0	470,170
DP 2222210 - PRI Med Ben Community First Choice	0.00	342,119	0	850,765	1,192,884	0.00	699,032	0	1,710,594	2,409,626
DP 2222211 - PRI Med Ben Money Follows the Person	0.00	13,559	0	33,718	47,277	0.00	27,705	0	67,795	95,500
<b>Total</b>	<b>0.00</b>	<b>\$3,583,517</b>	<b>\$0</b>	<b>\$6,590,672</b>	<b>\$10,174,189</b>	<b>0.00</b>	<b>\$7,168,435</b>	<b>\$0</b>	<b>\$13,009,267</b>	<b>\$20,177,702</b>

DP 2222211 - PRI Med Ben Money Follows the Person -

This new proposal requests a 2% annual provider rate increase in each year of the biennium for services provided under the Money Follows the Person grant.

DP 2222205 - Direct Care Worker Wage Increase -

This new proposal funds Medicaid rate increases to allow providers to give wage increases or lump sum payments to workers who provide direct care and ancillary services in the nursing facility, personal assistance, CFC, and community waiver programs. Funding is based on an estimated \$0.50 hourly increase in combined wages and benefits in FY 2016 and up to \$1.00 hourly increase in FY 2017. About 70% of this funding would go towards wage increases and 30% would fund employee benefits and employer taxes.

DP 2222209 - PRI Aging Services -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for aging services. The increase is fully funded from the general fund.

<div style="border: 1px solid black; padding: 2px; width: fit-content;"> <b>LFD ISSUE</b> </div>	<p><u>Use of Federal Funds for Rate Increase</u></p> <p>The legislature could consider using federal funds to pay for a portion of the provider rate increase. The legislature could prorate the total rate increase based on the ratio of funding for services included in the rate increase.</p>
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DP 2222208 - PRI Med Ben Community Based Waiver -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for community waiver services.

DP 2222207 - PRI Med Ben Core Home Based Services -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for home based services, which consist primarily of home health, personal care, and hospice services.

DP 2222206 - PRI Med Ben Core Nursing Homes -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for nursing home services.

**LFD  
COMMENT**

Total Nursing Home Rate

The following figure shows the components of the total daily rate for Medicaid nursing home services compared to the upper payment limit. The rate increase requested by the executive is applied to the largest component – the state and federal per diem share. The 2% rate increase would raise the base per diem rate from \$137.80 in FY 2014 to \$140.56 in FY 2016 and \$143.37 in FY 2017.

DP 222204 - Med Ben HCHCW Increase -

This new proposal adds funds for growth of the Health Care for Health Care Workers (HCHCW) program community based waiver services. This proposal funds an increase of 50 workers who are expected to enroll in this program January 1, 2016. The amount of funding is based on an estimated premium of \$650 per year. Providers of community based waiver services who offer health employee insurance to workers are given a rate increase to contribute to the cost of insurance coverage.

**LFD  
COMMENT**

Enrollment in Insurance

The open enrollment period for health insurance is typically at the beginning of a calendar year. The HCHCW program is (or is not – waiting to hear) organized the same way. The legislature could reduce the FY 2016 amount by 50%.

DP 222210 - PRI Med Ben Community First Choice -

This new proposal funds a 2% provider rate increase in each year of the biennium for CFC.

**Language and Statutory Authority -**

The executive proposes the following language be included in HB 2.

“County Nursing Home Intergovernmental Transfer may be used only to make one-time payments to nursing homes based on the number of Medicaid services provided. State special revenue in County Nursing Home IGT may be expended only after the office of budget and program planning has certified that the department has collected the amount that is necessary to make one-time payments to nursing homes based on the number of Medicaid services provided and to fund the base budget in the nursing facility program and the community services program at the level of \$564,785 from counties participating in the intergovernmental transfer program for nursing facilities.”

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	614.86	614.86	622.86	695.56	614.86	695.56	80.70	13.12 %
Personal Services	38,092,489	40,445,756	43,129,421	47,203,068	78,538,245	90,332,489	11,794,244	15.02 %
Operating Expenses	13,538,426	13,833,324	15,641,966	17,376,685	27,371,750	33,018,651	5,646,901	20.63 %
Equipment & Intangible Assets	107,061	107,460	107,061	107,061	214,521	214,122	(399)	(0.19)%
Grants	3,696,524	4,049,612	5,521,524	5,521,524	7,746,136	11,043,048	3,296,912	42.56 %
Benefits & Claims	75,392,087	78,066,983	94,420,556	99,231,657	153,459,070	193,652,213	40,193,143	26.19 %
Transfers	24,300	22,500	17,800	17,800	46,800	35,600	(11,200)	(23.93)%
Debt Service	113,994	117,623	117,093	122,562	231,617	239,655	8,038	3.47 %
<b>Total Costs</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$267,608,139</b>	<b>\$328,535,778</b>	<b>\$60,927,639</b>	<b>22.77 %</b>
General Fund	66,023,522	67,942,332	79,073,831	86,727,732	133,965,854	165,801,563	31,835,709	23.76 %
State/Other Special Rev. Funds	14,125,830	15,873,645	15,747,203	16,150,769	29,999,475	31,897,972	1,898,497	6.33 %
Federal Spec. Rev. Funds	50,815,529	52,827,281	64,134,387	66,701,856	103,642,810	130,836,243	27,193,433	26.24 %
<b>Total Funds</b>	<b>\$130,964,881</b>	<b>\$136,643,258</b>	<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$267,608,139</b>	<b>\$328,535,778</b>	<b>\$60,927,639</b>	<b>22.77 %</b>

**Program Description**

The Addictive and Mental Disorders Division provides chemical dependency and mental health services through contracts with behavioral health providers across the state. People with substance abuse disorders who have family incomes below 200% of the federal poverty level are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown.

**Program Highlights**

<b>Addictive and Mental Disorders Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• As shown in the main table, the 2017 biennium budget request is \$60.9 million higher than the 2015 biennium, which includes an increase of \$31.8 million general fund</li> <li>• The legislative analysis uses the FY 2015 legislative appropriation as the base budget, which results in a biennial difference of \$54.9 million total funds including \$25.4 million general fund                         <ul style="list-style-type: none"> <li>◦ The legislative base budget is higher due to increases in Medicaid services, state facility inflation, state employee pay, and provider rate increases authorized by the 2013 Legislature</li> </ul> </li> </ul>

- The Governor's First Step mental health initiative and other mental health proposals add \$14.6 million general fund and \$0.8 million federal funds with a \$2.1 million reduction in state special revenue and 82.70 new FTE for:
  - Expansion of the forensic unit at the Montana State Hospital - \$4.0 million general fund and 43.50 FTE
  - Renovation of a wing at the Montana Mental Health Nursing Care Center for a dementia unit - \$2.0 million general fund and 29.20 FTE
  - Expansion of adult community mental health services for 72-hour crisis services, peer support services, drop in centers, contracted forensic beds, and secure crisis beds - \$3.8 million general fund
  - Elimination of county intergovernmental transfer funds - \$2.1 million general fund with an equal reduction in state special revenue
  - A new group home on the Montana State Hospital campus, which opened in the last quarter of FY 2014 - \$1.3 million and 10.00 FTE
  - Expansion of county matching grants to develop community crisis services and crisis intervention team training - \$0.8 million general fund
  - Addition of supported employment, housing, and community re-entry services - \$0.8 million federal funds and \$0.6 million general fund
  - Suicide prevention grants - \$0.5 million general fund
- Medicaid enrollment and service utilization increases and a reduction in the federal Medicaid match rate adds \$40.9 million, including \$13.6 million general fund
- A 2% annual provider rate increase adds \$4.9 million total funds, including \$1.9 million general fund

#### Major LFD Issues

- There are two mental health initiatives proposed for legislative consideration:
  - The Governor's HB 2 appropriation request with an annualized cost of \$9.1 million general fund
  - Several bills proposed by the Children, Families, Health, and Human Services Interim Committee with an annualized cost of \$6.0 million general fund
- The executive budget request exceeds the amount of alcohol tax state special revenue available by \$1.6 million over the biennium
- The legislature could consider lower annual inflation rates in state facility medical and food costs for reductions ranging between \$0.6 million and \$2.2 million
- The health and Medicaid initiatives state special revenue account balance, which funds multiple divisions in DPHHS including AMDD, is not adequate to fund the executive budget request with an estimated shortfall of \$4.5 million in FY 2017

**Program Discussion -**

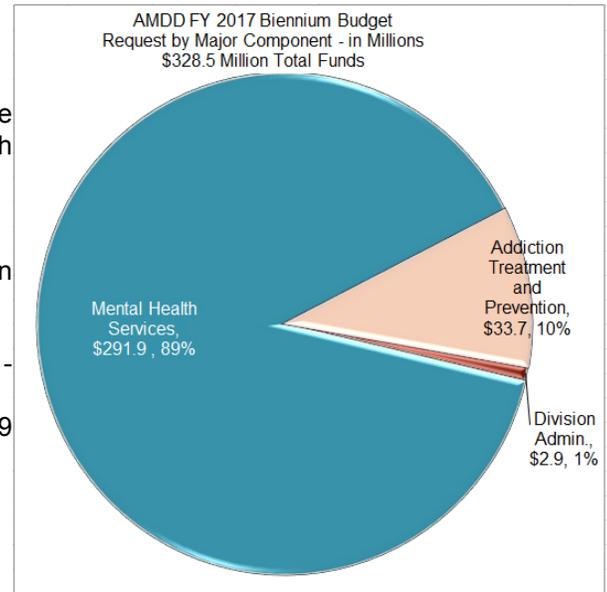
The following figure shows the AMDD 2017 biennium budget request by major component. Mental health services are the most significant with 89% of the total. Addiction treatment and prevention is 10% while division administration is 1% of the total.

Significant mental health services include:

- Medicaid services - \$164.5 million
- The two adult mental health state facilities – the Montana State Hospital (MSH) - \$80.9 million and the Montana Mental Health Nursing Care Center (MMHNCC) - \$24.4 million
- NonMedicaid mental health services - \$17.8 million

The most significant components of addiction treatment and prevention services are:

- NonMedicaid community prevention and treatment services - \$16.3 million
- The Montana Chemical Dependency Center (MCDC) - \$10.9 million
- Medicaid services - \$4.9 million

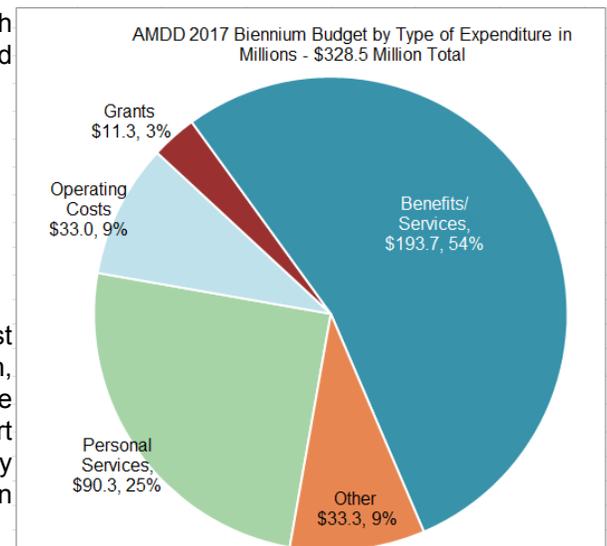


**2017 Biennium Budget by Type of Expenditure**

The figure below shows the 2017 biennium budget request by major expenditure type. Benefits and services are payments for specific services for individuals who meet program eligibility requirements.

Medicaid services are the largest component of this category, with \$169.4 million over the biennium or 87% of the total for benefits and services. Other programs in benefits and services include:

- 72 hour mental health crisis services - \$3.2 million
- Mental Health Services Plan - \$2.9 million
- Chemical dependency treatment - \$14.0 million



**Personal Services and Operating Costs**

Personal services are 25% of the AMDD 2017 biennium budget request primarily due to the three state facilities administered by the division, which account for 95% of the total division FTE. Operating costs are 9% of the 2017 biennium budget request. Most operating costs support the mental health and chemical dependency state facilities. Facility based budgets are discussed in greater detail under the section “Changes from the Legislative Base Budget”.

**Grants and Other Expenditures**

Grants are 3% of the biennial budget request and represent funds that are passed through to local entities that contract with AMDD. Grant expenditures provide broad public benefits and include such items as:

- Adult mental health community grants for various services - \$4.7 million
- Community grants to develop and maintain mental health crisis services - \$2.4 million

- Chemical dependency and prevention - \$2.1 million

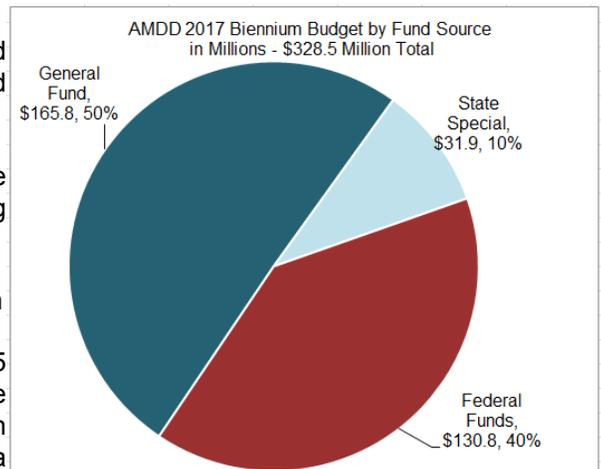
Other expenditures include equipment, debt service, and transfers.

**2017 Biennium Budget Request by Major Fund**

The following figure shows the AMDD budget request by major fund type. General fund is 50% of the total. General fund supports the adult mental health facilities, and provides state Medicaid matching funds, some adult mental health and chemical dependency services, and administrative costs.

State special revenue supports MCDC, a portion of the state Medicaid match, grants to counties for chemical dependency treatment and prevention, and some administrative costs.

Federal funds include federal categorical grants for substance abuse prevention and treatment, mental health, and federal Medicaid matching funds. Funding is discussed in greater detail in the Funding section.

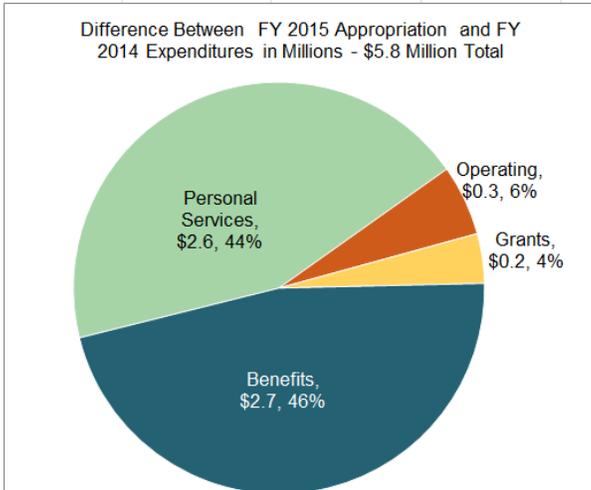


**Comparison of FY 2015 Legislative Base to FY 2015 Appropriation**

The following table highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base. The main differences between the FY 2015 legislative appropriation used as a base budget compared to the executive implementation are a transfer of about \$290,000, which moved information technology functions to the Technology Services Division, and inclusion of a one-time federal funds appropriation to prevent jail suicides.

FY 2015 Appropriation Transactions - Department of Public Health & Human Services					
Program	Legislative Appropriation	Legislative App OTO	House Adj	Program Transfers	Total Executive Implementation
Addictive and Mental Disorders	\$136,810,954	\$125,000	-	(\$222,571)	\$136,643,258
Addictive and Mental Disorders	-	-	-	(26,269)	
Addictive and Mental Disorders	-	-	-	(43,856)	
Addictive and Mental Disorders	-	-	(10,000)		
Addictive and Mental Disorders	-	-	10,000		
<b>Program Total</b>	<b>\$136,810,954</b>	<b>\$125,000</b>	<b>\$0</b>	<b>(\$292,696)</b>	<b>\$136,643,258</b>

**Differences Between FY 2014 Expenditures and the Legislative Base Budget**



The executive budget is based on the FY2014 level of expenditures while the legislative budget analysis uses FY 2015 legislative appropriations with certain adjustments as its base. The figure above shows the difference between the two base budgets. The legislative base budget is \$5.8 million higher than FY 2014 expenditures.

The largest difference is in benefits. The legislative base budget is \$2.7 million higher than FY 2014 expenditures due to a 2% provider rate increase approved by the 2013 Legislature in FY 2015 and appropriations for enrollment and service utilization increases – primarily in Medicaid services.

The personal services legislative base budget is \$2.6 million higher than FY 2014 expenditures. Pay plan increases add \$1.9 million.

Grants are higher in the legislative base budget because in FY 2014 AMDD did not spend an appropriation added by legislative initiative for \$0.2 million to prevent jail suicide. The legislature approved the same amount in FY 2015.

**LFD COMMENT** Request Information about FY 2015 Action

The legislature may wish to request that AMDD discuss whether it plans to spend the FY 2015 appropriation added by the 2013 Legislature for prevention of jail suicide and if so what it will fund with the appropriation.

Other expenditures are \$0.3 million different due to changes in inflation and operating costs for state facilities. The FY 2015 appropriation for those services is higher than FY 2014 expenditures for most facilities administered by AMDD.

**Biennial Difference Using FY 2015 Appropriation as Base**

The figure below shows the 2015 biennium budget compared to the 2017 biennium executive request for AMDD using the FY 2015 legislative base budget. The biennial difference is an increase of \$54.0 million total funds, including \$29.5 million general fund. The most significant difference is in benefits and claims and the addition of 80.70 new FTE.

Addictive and Mental Disorders Division Biennial Change Using FY 2015 Legislative Base Budget				
Expenditure and Funding	2015 Bien	2017 Bien	Difference	%
FTE	614.86	695.56	80.70	13.1%
Personal Services	\$81,336,750	\$90,332,489	\$8,995,739	11.1%
Operating Costs	27,725,048	33,018,651	5,293,603	19.1%
Equipment	214,920	214,122	(798)	-0.4%
Grants	7,849,224	11,043,048	3,193,824	40.7%
Benefits and Claims	156,215,720	193,652,213	37,436,493	24.0%
Transfers	45,000	35,600	(9,400)	-20.9%
Debt Service	235,246	239,655	4,409	1.9%
<b>Total Expenditures</b>	<b>273,341,662</b>	<b>328,260,523</b>	<b>54,918,861</b>	<b>20.1%</b>
General Fund	136,329,806	165,801,563	29,471,757	21.6%
State Special Rev.	31,799,828	31,897,972	98,144	0.3%
Federal Funds	105,492,274	130,836,243	25,343,969	24.0%
<b>Total</b>	<b>\$273,621,908</b>	<b>\$328,535,778</b>	<b>\$54,913,870</b>	<b>20.1%</b>

### Executive Budget Request and Legislative Decisions

The major appropriation request included in the AMDD budget request is the Governor's mental health initiative – First Step. The following figure shows the components of the request. In total, the initiative adds \$12.6 million general fund and 72.70 new FTE over the biennium. Part of the general fund offsets a reduction in county funds transferred from Community Mental Health Centers. FY 2017 would represent the annualized cost of the proposals once fully implemented, which would result in a biennial cost of \$17.6 million general fund in the 2019 biennium.

Executive Budget Adult Mental Health Proposal						
	FY 2016		FTE	FY 2017		% of Total
	General Fund	Total		General Fund	Total	
Community and Facility Based Services						
<b>Expanded Community Services</b>						
72 Hour Crisis Intervention	\$500,000	\$500,000		\$750,000	\$750,000	9.2%
Peer Support Services	700,000	700,000		700,000	700,000	8.6%
Housing and Re-entry	315,000	315,000		315,000	315,000	3.9%
County Matching Grants (HB 130)	360,000	360,000		360,000	360,000	4.4%
Secure Crisis Beds (HB 131)	200,000	200,000		200,000	200,000	2.4%
Drop-In Centers	193,769	193,769		193,769	193,769	2.4%
Contracted Forensic Evaluations	180,000	180,000		180,000	180,000	2.2%
Crisis Intervention Team Training	50,000	50,000		50,000	50,000	0.6%
Medicaid IGT Funding Shift	1,049,904	-		1,049,904	-	0.0%
IPS Supported Employment	-	420,000		-	420,000	5.1%
<b>Subtotal Community Services</b>	<b>3,548,673</b>	<b>2,918,769</b>		<b>3,798,673</b>	<b>3,168,769</b>	<b>38.8%</b>
<b>Facility Based Services</b>						
Behavioral Health Inpatient Unit Plan	250,000	250,000		-	-	0.0%
Forensic Unit D Wing MSH	-	-	43.50	3,001,448	3,001,448	36.7%
Dementia Unit MMHNCC	-	-	29.20	2,001,740	2,001,740	24.5%
<b>Subtotal Facility Services</b>	<b>250,000</b>	<b>250,000</b>	<b>72.70</b>	<b>5,003,188</b>	<b>5,003,188</b>	<b>61.2%</b>
<b>Total Executive Proposal</b>	<b>\$3,798,673</b>	<b>\$3,168,769</b>	<b>72.70</b>	<b>\$8,801,861</b>	<b>8,171,957</b>	<b>100.0%</b>

In FY 2017 the executive proposal increases community services by a net of \$3.2 million and facility based services by \$8.2 million. The community services portion of the request includes:

- Expansion of adult community mental health services for 72-hour crisis services, peer support services, drop-in centers, contracted forensic beds, and secure crisis beds - \$3.8 million
- Elimination of county intergovernmental transfer funds, which have been used as state Medicaid matching funds - \$2.1 million general fund with an equal reduction in state special revenue
- Expansion of county matching grants to develop community crisis services and crisis intervention team training - \$0.8 million general fund
- Addition of supported employment, housing, and community re-entry services - \$0.8 million federal funds and \$0.6 million general fund

Facility based services include:

- Expansion of the forensic unit and an additional group home at MSH- \$4.3 million and 53.50 FTE
- Renovation of a wing at MMHNCC for a dementia unit - \$2.0 million and 29.20 FTE
- Funding to initiate planning for a community behavioral health inpatient facility - \$0.3 million

**Additional Mental Health Expenditure Proposals**

The executive budget includes an additional \$2.0 million general fund in mental health services and 10.00 new FTE, excluding the 2% annual provider rate increase and Medicaid services. The figure below shows the additional requests.

Mental Health Budget Requests in Addition to Those Included in the First Step Proposal		
Request	FTE	Biennial General Fund
McCollom Group Home - MSH	10.00	\$1,349,049
Suicide Prevention Grants	-	500,000
Occupational Therapist Services - MSH	-	126,430
Suicide Mortality Review Team - HB 583	-	67,000
<b>Total FTE and Total General Fund</b>	<b>10.00</b>	<b>\$2,042,479</b>

**LFD COMMENT**

**New Group Home on MSH Campus**

DPHHS opened a new eight bed group home on the MSH campus – the McCollom group home – on March 25, 2014. The MSH maintenance staff refurbished a house that was formerly used as a physician residence. Upgrades included re-doing the electrical work for lights and outlets, adding smoke alarms, repainting, installing escape windows in the upstairs bedrooms, converting one of the rooms into a medical room, and changing locks on the doors. There were about 480 hours of staff time used to convert the building, and including supplies and furnishings, the total cost was about \$25,000.

The group home is being staffed by 13.00 FTE including: 1 registered nurse, 1 licensed practical nurse, 1 social worker, and 10 psychiatric technicians. Twelve of the FTE are being accommodated within existing FTE levels funded for MSH, with one position being a modified, nonpermanent FTE.

The executive budget also includes \$0.5 million for suicide prevention grants. The executive budget includes funds to contract for occupational therapy services for MSH residents and funding to support the suicide mortality review team established and funded for the 2015 biennium by HB 583. The review team is scheduled to sunset after FY 2016.

**Legislative Mental Health Proposal**

There are also legislative proposals regarding mental health services that will be considered by the 2015 Legislature. Several bills requested by the Children, Families, Health, and Human Services Interim Committee based on the HJR 16 study of state-operated institutions address mental health issues and service needs. The following table shows each bill, the biennial general fund appropriation, and FTE. In total, the Interim Committee recommended seven bills that appropriate \$12.1 million general fund and support 5.00 FTE.

Interim Committee on Children, Families, Health, and Human Services - Mental Health Recommendations			
Bill Request	Purpose	FTE	Biennial Funding
LC 342	Community Mental Health Group Homes		\$3,000,000
LC 338	Mental Health Crisis Jail Diversion Grants		2,000,000
LC 339	Secure Psychiatric Detention Beds		1,200,000
LC 334	Mental Health Crisis Diversion - Youth		1,200,000
LC 347	Short-Term Mental Health Treatment		1,000,000
LC 337	5.00 Crisis and Transition FTE	5.00	690,000
Total General Fund Over the Biennium		5.00	\$9,090,000

There are similarities between the executive and legislative proposals, with both funding some of the same services. There is also a similarity in funding capacity for forensic mental health commitments, but the executive proposal funds additional beds for MSH while the Interim Committee appropriates funds for community facilities and group homes.

Both the Interim Committee proposals and the Governor’s initiative provide increases for two services – local grants for mental health crisis intervention services and additional secure community detention beds. The Governor’s proposal allocates \$1.2 million to mental health crisis grants while the Interim Committee bill (LC 338) appropriates \$2.0 million. The executive budget includes an additional \$0.4 million to community psychiatric secure beds, while the Interim Committee bill (LC 339) appropriates \$1.2 million.

The Interim Committee proposes expanding community services for forensic mental health commitments - LC 342 appropriates \$3.0 million for forensic community correction facilities and LC 241 appropriates \$3.0 million for transitional mental health group homes. The executive proposal funds a 20 bed expansion of the MSH forensic unit at an anticipated annual cost of \$3.0 million. Since the Interim Committee bills do not have an estimated capacity increase it is not possible to compare the number of beds/services.

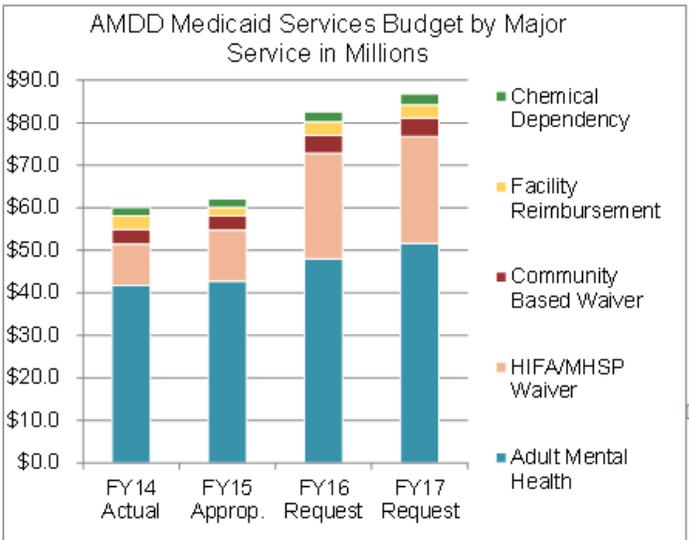
The Interim Committee proposals include funding for short term voluntary treatment and for children and persons who are developmentally disabled. LC 337 appropriates \$0.7 million general fund for 5.00 crisis and transition technician FTE to work with intellectually disabled individuals who are in or approaching a mental health crisis that could lead to a more restrictive placement or commitment to the Montana Developmental Center. LC 347 appropriates \$1 million general fund for short-term voluntary mental health treatment while a proceeding for involuntary commitment is suspended. LC 334 appropriates \$1.2 million in general fund to continue mental health crisis diversion pilot projects targeted toward youth.

**Medicaid Services**

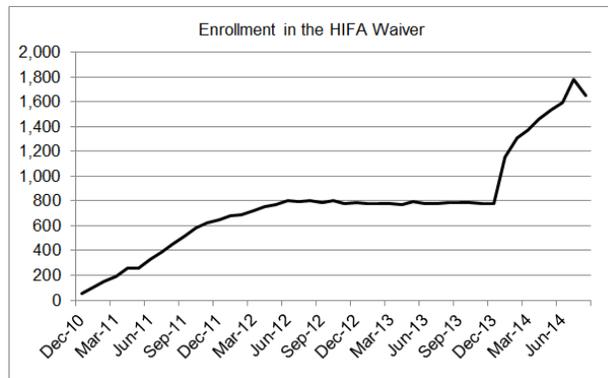
The following graph shows the AMDD Medicaid services budget request by major service from FY 2014 through FY 2017. All expenditures are included except the 2% annual provider rate increase.

Adult mental health services grow from FY 2014 expenditures of about \$42 million to about \$52 million in the FY 2017 budget request. Four services included in this category - mental health center, case management, licensed professional counsel, and hospital services – account for 77% of the total in FY 2017.

The largest increase in the AMDD Medicaid services budget occurs in the HIFA/MHSP waiver, which grows from a FY 2014 expenditure level of about \$10 million to the executive request of \$24.6 million in FY 2017. This Medicaid service allows the state to provide health and physical health services to low-income individuals who have a serious and disabling mental illness with incomes up to 150% of the federal poverty level (\$35,775 for a household with 4 persons in 2014). The waiver allows DPHHS to transition persons from a state program – the Mental Health Services Plan (MHSP) – to Medicaid funded services. MHSP does not fund physical health services and the mental health service array and financial support provided by MHSP is less robust than provided under the HIFA/MHSP waiver.



Enrollment in the HIFA waiver was anticipated to be capped at around 800 persons when the 2013 Legislature considered the HIFA appropriation for the 2015 biennium. However, DPHHS requested an amendment to the waiver to increase enrollment, which was approved by the federal Centers for Medicare and Medicaid Services (CMS). The following figure shows enrollment in the HIFA/MHSP waiver since its inception. The executive budget request is based on enrollment growing to 3,600 persons. The increased state matching funds required to expand the waiver are being transferred from the MHSP program as persons transition from MHSP to the HIFA services.



Community based waiver services administered by AMDD are provided to Medicaid eligible persons who need the level of care provided by a nursing home or hospital, but with appropriate services can be maintained in the community.

Chemical dependency Medicaid services and federal funds for reimbursement of state facility services remain relatively constant from FY 2014 to FY 2017.

<b>LFD COMMENT</b>	<p>Alcohol Tax and Duplicate Federal Authority</p> <p>As noted in the funding section, the executive budget uses more alcohol tax revenue than projected to be available. The state Medicaid match for chemical dependency services is funded from alcohol state special revenue.</p> <p>The federal Medicaid reimbursement for AMDD facility costs is discussed in the DPHHS Budget Discussion in relationship to the issue that funding for facility expenditures has duplicate appropriation authority in HB 2.</p>
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State Facilities Administered by AMDD				
Base Budget Compared to 2017 Biennium Budget Request				
Facility	Base Budget	Legislative Base	Executive Budget Request	
Cost/Funding	FY 2014	FY 2015	FY 2016	FY 2016
<b>Montana State Hospital</b>				
FTE	405.40	405.40	415.40	458.90
Personal Services	\$26,320,250	\$27,466,436	\$29,187,604	\$31,717,750
All Other	8,039,567	5,175,605	3,453,758	10,524,350
Total	34,359,817	32,642,041	38,647,362	42,242,100
General Fund	33,265,957	31,503,298	38,537,470	42,132,452
State Special Rev.	107,670	138,743	103,892	103,648
Federal Funds	386,190	1,000,000	-	-
Facility Revenue**	8,407,412	8,661,714	8,344,869	3,174,172
Average Population	187	208	208	228
Costs Per Person	184,037	156,933	185,805	185,272
Cost Per Day	504	430	509	508
Annual Change		-14.8%	18.4%	-0.3%
<b>Mental Health Nursing Care Center</b>				
FTE***	120.21	119.21	120.21	149.41
Personal Services	6,322,852	6,665,491	7,717,037	3,275,082
All Other	3,066,572	3,603,725	3,395,406	4,001,476
Total	3,389,424	10,269,216	11,112,443	13,276,558
General Fund	3,389,424	10,269,216	11,112,443	13,276,558
Facility Revenue**	4,076,588	4,443,248	4,850,515	5,145,508
Average Population	82	95	95	120
Cost Per Person	122,509	108,037	116,373	110,638
Cost Per Day	336	296	320	303
Annual Increase		-11.8%	8.2%	-5.4%
<b>Montana Chemical Dependency Center</b>				
FTE	53.25	52.65	53.25	53.25
Personal Services	2,768,442	3,543,731	3,719,606	3,801,673
All Other	1,373,058	1,452,064	1,660,621	1,732,842
Total	4,141,500	4,995,795	5,380,227	5,534,515
State Special Funds	4,141,500	4,995,795	5,380,227	5,534,515
Federal Funds	-	-	-	-
Average Population	35	39	39	39
Cost Per Person	118,329	128,037	137,955	143,449
Cost Per Day	324	351	378	393
Annual Change		8.3%	7.7%	4.0%
<b>Total Division Facility Budget</b>				
FTE**	578.86	577.26	588.86	661.56
% of Division Total	94.1%	93.9%	94.5%	95.1%
General Fund	43,255,381	41,772,514	43,643,913	55,409,010
% of Division Total	65.5%	61.5%	64.0%	66.5%
Total Funds	\$48,430,741	\$47,907,052	\$55,140,032	\$61,113,173
Annual Change		-1.2%	15.1%	10.8%
General Fund Revenue		13,104,962	13,795,384	14,319,679
*An estimate of the of the pay plan allocated to each facility has been added to personal services costs for FY 2015.				
**Facility revenue includes payments for facility services, which are deposited to the general fund.				
***The FTE for the Nursing Care Center do not include the 20.25 FTE funded by a contract with the Department of Corrections to provide services to inmates needing nursing home level of care.				

### State Facility Costs

The preceding table shows the FY 2014 expenditures, the FY 2015 legislative base budget, and the 2017 biennium budget request for the three state facilities managed by AMDD. In total, the facilities budget request includes funding for 95% of AMDD division FTE and 65% of the general fund. The annual cost of serving one person in any of the three facilities is

over \$100,000, while the average annual cost at MSH is over \$185,000 in FY 2017. As noted previously, the executive budget includes expansions of services at MSH and MMHNCC starting in FY 2017.

**MSH Population Growth**

FY 2014 expenditures for MSH exceeded the original legislative appropriation of \$33.1 million by \$1.2 million general fund. The 2013 Legislature approved the executive request for MSH, which was based on an average daily population of 155. However, the actual population in FY 2014 was 187, which is 21% above budgeted level. Funds were transferred from several other division appropriations to cover the additional MSH cost.

MSH expenditures for FY 2015 in the November 2014 budget status report prepared by DPHHS are estimated to reach \$36.1 million, or \$1.6 million general fund higher than the legislative base budget. The FY 2015 base budget was predicated on an average daily population of 155. However, the most recent population estimate provided by DPHHS is 208 persons, which is expected to remain constant throughout the 2017 biennium.

<b>LFD COMMENT</b>	<p>MSH Population Growth</p> <p>The legislature may wish to review year to date MSH population levels to determine whether the current year estimate should be revised. The legislature may also wish to request information from DPHHS about what is driving MSH population increases, what plans it has to transition persons from facility based care to community based services, and what actions it will take to reduce admissions to MSH. The legislature may wish to ask what impact the Governor’s First Step mental health proposal will have on MSH population levels.</p>
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MSH and MMHNCC receive reimbursement for a portion of facility services, which is deposited to the general fund. The facilities receive reimbursement from:

- Medicaid
- Medicare
- Indian Health Services
- Local governments (for mental health evaluations at MSH)

MCDC also receives some reimbursements, which are deposited in a state special revenue account and appropriated to fund MCDC. Facility reimbursement for MCDC is discussed in greater detail in the Funding section.

**Funding**

The following table shows proposed program funding by source from all sources of authority.

Medicaid and Health Services Branch, 33-Addictive & Mental Disorders						
Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	165,801,563	0	0	165,801,563	49.23 %	
02034 Earmarked Alcohol Funds	13,651,102	0	4,761,286	18,412,388	45.85 %	
02053 Medicaid Nursing Home Match	(224,262)	0	0	(224,262)	(0.56)%	
02247 MMHNCC DOC INFIRMARY	0	0	0	0	0.00 %	
02384 02 Indirect Activity Prog 33	440,292	0	0	440,292	1.10 %	
02394 Montana State Hospital Rev Acc	0	0	3,497,136	3,497,136	8.71 %	
02598 MCDC COST RECOVERY	277,154	0	0	277,154	0.69 %	
02691 6901-MSH/DOC Maint Agreement	219,540	0	0	219,540	0.55 %	
02772 Tobacco Hlth & Medica Initiative	16,182,913	0	0	16,182,913	40.30 %	
02987 Tobacco Interest	1,351,233	0	0	1,351,233	3.36 %	
<b>State Special Total</b>	<b>\$31,897,972</b>	<b>\$0</b>	<b>\$8,258,422</b>	<b>\$40,156,394</b>	<b>11.92 %</b>	
03171 Data Infrastructure Development	120,615	0	0	120,615	0.09 %	
03491 Tobacco Retail Inspctn Program	0	0	0	0	0.00 %	
03504 Strategic Prevention Framework	0	0	0	0	0.00 %	
03505 93.150 - Mntal Hlth - Homeless	572,564	0	0	572,564	0.44 %	
03507 93.958 - Mntal Hlth - Blk Grt	2,461,772	0	0	2,461,772	1.88 %	
03508 93.959 - ADAD - Blk Grt 100%	12,759,764	0	0	12,759,764	9.75 %	
03513 CHIPRA Bonus	0	0	0	0	0.00 %	
03580 6901-93.778 - Med Adm 50%	2,174,918	0	0	2,174,918	1.66 %	
03583 93.778 - Med Ben Fmap	112,512,389	0	0	112,512,389	85.99 %	
03601 03 Indirect Activity Prog 33	234,221	0	0	234,221	0.18 %	
03902 HRSA Flex Rural Hlth Access Pg	0	0	0	0	0.00 %	
<b>Federal Special Total</b>	<b>\$130,836,243</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,836,243</b>	<b>38.85 %</b>	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.00 %</b>	
<b>Total All Funds</b>	<b>\$328,535,778</b>	<b>\$0</b>	<b>\$8,258,422</b>	<b>\$336,794,200</b>		

AMDD is funded by general fund, state special revenue, and federal funds. General fund is one half of the division budget request and supports:

- State adult mental health facility costs
- State Medicaid match
- Some adult mental health community services such as:
  - 72 hour community crisis services
  - Drop in centers
  - Goal 189 services
  - Community mental health crisis jail diversion services
- Community chemical dependency group home services for adults with methamphetamine and other addictions
- Grants to counties to develop mental health crisis jail diversion services
- Training for crisis intervention teams

State special revenue funds about 10% of the division budget request and supports:

- MCDC
- The state Medicaid match for chemical dependency services and a portion of the match for adult mental health community waiver services and the HIFA/MHSP waiver
- Grants to counties to support state approved chemical dependency programs
- Other division administrative costs

### Alcohol Taxes

The following figure shows the alcohol tax state special revenue fund balance for the 2017 biennium budget compared to the executive budget. The executive budget request exceeds the revenue available by about \$860,000 each year of the biennium.

Earmarked Alcohol Tax Revenue - 2015 Biennium Budget Compared to 2017 Biennium Budget Request					
Revenue/Expenditures Fund Balance	Legislative				% of Total
	FY 2014	Base FY 2015**	Budget Request FY 2016	FY 2017	
Beginning Balance	\$1,514,092	\$0	\$0	\$0	
<b>Revenues*</b>					
Liquor License	6,328,906	6,633,114	6,853,810	7,101,417	77.0%
Wine Tax	1,030,618	1,067,283	1,099,591	1,129,885	12.3%
Beer Tax	935,365	965,360	973,297	986,184	10.7%
Total Revenue	8,294,889	8,665,757	8,926,698	9,217,485	100.0%
Annual Percent Change		5.7%	5.7%	5.7%	
Total Funds Available	9,808,981	8,665,757	8,926,698	9,217,485	
<b>Disbursements</b>					
Montana Chemical Dependency Center	4,007,219	4,766,605	5,242,085	5,365,327	53.2%
Statutory Distribution to Counties****	2,031,981	1,733,151	1,785,340	1,843,497	18.3%
Statutory Distribution to Counties - Services for Dually Diagnosed****	547,463	571,940	589,162	608,354	6.0%
Cost Allocated Administration	515,950	541,748	568,835	597,277	5.9%
CD Medicaid Services	422,524	444,413	550,143	614,687	6.1%
CD Benefits - nonMedicaid	450,088	487,256	446,312	446,314	4.4%
CD Operations	340,809	343,990	493,262	492,972	4.9%
Quality Assurance- Licensure	78,003	71,040	82,431	82,303	0.8%
Department of Corrections- Pine Hills	25,523	25,523	25,523	25,523	0.3%
Total Disbursements	8,419,559	8,985,666	9,783,093	10,076,254	100.0%
Adjustments*****	(1,159,680)	-	-	-	
Ending Fund Balance	\$229,742	(\$319,909)	(\$856,395)	(\$858,769)	
Spending Adjustments Needed to Balance Acct		(\$319,909)	(\$856,395)	(\$858,769)	
Transportation.					
** FY 2015 budgeted amounts are based on 2013 legislative appropriations, except indirect costs, which are based on LFD estimates.					
****26.6% of alcohol tax revenues are statutorily appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6% of total revenue) is statutorily required to be used to treat persons with alcoholism who also have a mental illness. Revenues in excess of appropriations or unencumbered balances remaining at fiscal year end, also are statutorily appropriated to be distributed to state approved programs.					
*****Adjustments include those made to comply with generally accepted accounting principles (GAAP) as well as actions needed to maintain the account in a positive balance.					

There are several statutory appropriations made from the alcohol taxes allocated to DPHHS and distributed to state approved chemical dependency programs and local governments:

- 20% of the total revenue

- 6.6% of total revenue allocated to treatment of persons with alcoholism who also have a mental illness
- Any fund balance remaining at fiscal yearend
- Any funds reverted from allocations to local programs or unexpended appropriations

**LFD  
ISSUE**
**Alcohol Tax State Special Revenue Shortfall and Legislative Options**

There is insufficient revenue in the alcohol tax state special revenue account to distribute the statutory appropriations from the account and to fully fund the executive budget request. The above figure shows anticipated FY 2014 expenditures, FY 2015 appropriations, and the executive budget request. The amount shown for the statutory appropriations is the full amount that should be distributed to state approved programs.

The executive budget assumes that there will be reductions in the statutory appropriations sufficient to fund the executive HB 2 request. The budgeting system shows that the executive budget bases statutory appropriations on the FY 2014 expenditure level and then reduces the amount by \$198,000 each year of the 2017 biennium. However, as shown in the , the total short fall is about \$900,000 each year of the 2017 biennium.

Legislative legal staff reviewed statutes governing statutory appropriations of the alcohol taxes and concluded that the executive cannot override statute and reduce the amount of alcohol tax that is distributed to state approved programs. Since it is not a legal option, the reduction included in the executive budget request is not reflected in the fund balance table.

The legislature has several options it may consider to address the shortfall in alcohol tax revenue:

- Reduce the 2017 biennium budget request
- Increase tax rates on alcohol
- Find other sources to support costs
- Amend statute to lower the statutory appropriation from the account

There are several requests to increase spending from the alcohol tax, which are identified in the LFD budget analysis that follows. If the legislature chooses to reduce spending from the alcohol account it can alter these increases.

If the legislature chooses to raise revenue, it would need to increase tax rates by about 14% since a portion of the increase (26.6%) would flow to state approved chemical dependency programs via the statutory appropriation. If a tax increase had a dampening effect on alcohol consumption, the increase would need to be larger.

Other sources of revenue that could be considered are general fund and facility reimbursements. DPHHS could attempt to collect more revenue for facility services. The following graph shows facility reimbursement revenue for MDCDC from FY 2010 and the 2017 biennium revenue based on estimates adopted by the Interim Committee on Revenue and Transportation.

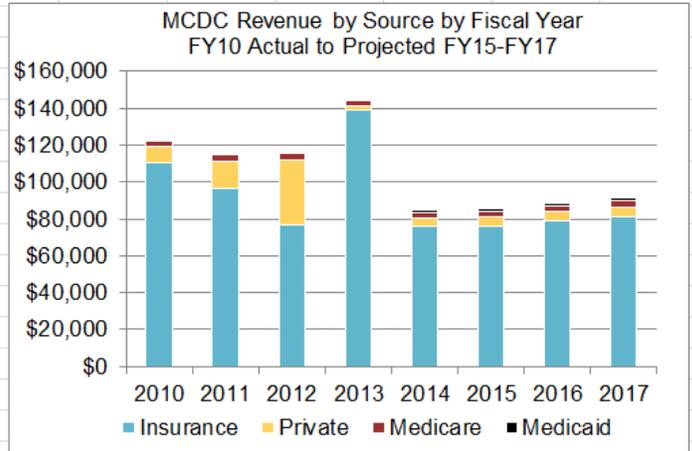
Legislative staff requested information from DPHHS as to why MCDC facility revenues had declined between FY 2013 and FY 2014. DPHHS responded that private revenues were lower for two primary reasons:

1. The census declined from 14,697 days of care in FY 2013 to and 12,636 days of care in 2014 (a 14% reduction); and
2. FY 2014 revenues declined in part due to difficulties with the pre-authorization process.

DPHHS reviewed MCDC pre-authorization and admission procedures with the goal of streamlining the process. The changes are anticipated to be implemented in the current fiscal year and are anticipated to improve operating processes as well as the patient treatment experience.

Legislative staff has requested that DPHHS discuss these process changes with the legislature and highlight how the changes will impact facility reimbursement. The legislature may wish to consider whether it would alter the amount of facility reimbursement for MCDC based on information provided by DPHHS.

Finally, the legislature could lower the statutory appropriations from the alcohol tax state special revenue account. The legislature may wish to discuss any potential changes to the statutory appropriation with stakeholders who currently receive the funds to determine the benefits and costs of such a change.



Federal sources that support AMDD include:

- Medicaid matching funds
- Categorical block grants for chemical dependency treatment and prevention and mental health

**LFD COMMENT**

Impact of Governor’s Healthy Montana Plan – Medicaid Expansion

The Governor’s proposed expansion of Medicaid would impact AMDD funding and related expenditures. The proposed expansion – LC 631 - is discussed in greater detail in the Agency Budget Discussion. The most significant change would be related to persons currently receiving state funded services who become eligible for Medicaid. The cost of ongoing services would shift from state funded programs to Medicaid funded services. A smaller impact would be that some current AMDD Medicaid services would be reimbursed at a higher federal match rate.

Examples of state funded services that are currently accessed by low-income persons who would potentially shift to Medicaid funded services under the expansion proposal include:

- Community chemical dependency services, including group homes that treat methamphetamine and other addictions
- MHSP, 72 hour crisis services, and community mental health crisis beds
- MCDC

Under a Medicaid expansion, Medicaid service utilization would increase as more persons become eligible and access services. The increased state Medicaid match for additional Medicaid services could be provided in whole or part from reductions in state funded programs that currently serve low-income persons who become Medicaid eligible.

Under a Medicaid expansion, most of the persons served under the HIFA/MHSP waiver would be part of the new expansion population. Currently, services provided through the HIFA/MHSP waiver are matched at the regular Medicaid match rate. Under a Medicaid expansion, the services provided to the expansion population would be eligible for a higher federal match rate, which is 100% in calendar year 2016, then gradually declines to 90% in 2020.

**Budget Summary by Category**

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	68,164,903	68,164,903	136,329,806	82.22 %	136,810,954	136,810,954	273,621,908	83.29 %
PL Adjustments	5,914,644	7,684,348	13,598,992	8.20 %	17,046,169	20,662,317	37,708,486	11.48 %
New Proposals	4,994,284	10,878,481	15,872,765	9.57 %	5,098,298	12,107,086	17,205,384	5.24 %
<b>Total Budget</b>	<b>\$79,073,831</b>	<b>\$86,727,732</b>	<b>\$165,801,563</b>		<b>\$158,955,421</b>	<b>\$169,580,357</b>	<b>\$328,535,778</b>	

**Present Law Adjustments -**

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----				-----Fiscal 2017-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	2,612,275	76,750	(743,562)	1,945,463	0.00	2,420,760	63,719	(660,761)	1,823,718
DP 99 - LEG. Present Law	0.00	3,302,369	744,698	11,053,639	15,100,706	0.00	5,263,588	1,103,582	12,471,429	18,838,599
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$5,914,644</b>	<b>\$821,448</b>	<b>\$10,310,077</b>	<b>\$17,046,169</b>	<b>0.00</b>	<b>\$7,684,348</b>	<b>\$1,167,301</b>	<b>\$11,810,668</b>	<b>\$20,662,317</b>

**DP 98 - LEG. Personal Services Present Law -**

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	612.86	\$261,884	\$30,035	\$5,931	\$297,850
Executive Implementation of 2015 Pay Increase		581,232	68,523	14,764	664,520
Fully Fund 2015 Legislatively Authorized FTE		89,021	24,625	10,118	123,764
Other					
Funding Shift in Base Budget		986,190	-	(986,190)	-
Remainder of Other		693,948	(46,433)	211,814	859,329
Total Other		1,680,138	(46,433)	(774,376)	859,329
Personal Services Present Law Adjustments	612.86	\$2,612,275	\$76,750	(\$743,562)	\$1,945,463

FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	612.86	\$261,884	\$30,035	\$5,931	\$297,850
Executive Implementation of 2015 Pay Increase		581,232	68,524	14,764	664,520
Fully Fund 2015 Legislatively Authorized FTE		89,021	24,625	10,118	123,764
Other					
Funding Shift in Base Budget		986,190	-	(986,190)	-
Remainder of Other		502,433	(59,465)	294,615	737,584
Total Other		1,488,623	(59,465)	(691,575)	737,584
Personal Services Present Law Adjustments	612.86	\$2,420,760	\$63,719	(\$660,761)	\$1,823,718

The executive budget for personal services increases by about 5% each year of the 2017 biennium when compared to the FY 2015 legislative appropriation. As shown in the table, about half of the change is due to costs associated with HB 13 of the 2013 Legislature. Other adjustments include:

- Longevity changes
- Broad band pay increases
- Full funding of positions that were unfilled during a portion of the year

**LFD ISSUE**

Funding Shift Should be a New Proposal and Balance of Personal Services Cost Increase

The 2013 Legislature funded a portion of MSH overtime pay with federal CHIPRA bonus funds. The legislature used the one-time funds, knowing that overtime pay must be requested and reauthorized each legislative session. The executive budget includes a funding shift lowering the federal funds when it created the adjusted base budget for each year of the biennium. According to section 17-7-102(9) MCA, changes in funding are to be included in a new proposal. The legislature could segregate the funding shift included in the statewide present law in a new proposal.

There is an increase of about \$1.2 million general fund in the personal services present law adjustment that is not explained by reclassification actions or vacancies that occurred in FY 2014. Legislative staff has requested that AMDD help identify the reasons for the balance of the unexplained changes.

DP 99 - LEG. Present Law -

The following table outlines various components of the changes included in the LGPL adjustments. Present law budget adjustments for other costs are discussed separately. The amount of each change is based on the difference from the FY 2015 legislative appropriation.

Legislative Present Law Adjustments				
CP 99 Item	FY 2016			
	General Fund	State Special	Federal Special	Total Funds
DP 3333105 Med Ben Core Cslid Adult Mental Health	\$1,801,921	\$53,802	\$2,571,684	\$4,427,407
DP 3333108 Med Ben Waiver Adult Mental Health	-	225,704	329,114	554,818
DP 3333106 Med Ben Core Cslid Chemical Dep.	-	133,124	197,738	330,862
DP 3333109 Med Ben Facility Reimbursement	-	-	1,178,150	1,178,150
DP 3333303 Med Ben Waiver HIFA MSHP	-	54,553	8,011,079	8,065,632
DP 3333307 Facility Inflation MMHNCC	(536,729)	-	-	(536,729)
DP 3333308 Facility Inflation MCDC	-	113,841	-	113,841
DP 3333309 Facility Inflation MSH	1,036,952	-	-	1,036,952
DP 3333310 McCollum Group Home	160,555	-	-	160,555
DP 3333311 AMDD Suicide Mortality Review Team	67,000	-	-	67,000
DP 3333312 MSH Operating Increases	772,670	-	-	772,670
Other	-	163,674	(1,234,126)	(297,782)
<b>Legislative Present Law Adjustments</b>	<b>3,302,369</b>	<b>744,698</b>	<b>11,053,639</b>	<b>15,100,706</b>
FY 2017				
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
DP 3333105 Med Ben Core Cslid Adult Mental Health	2,863,265	81,510	4,150,950	7,095,725
DP 3333108 Med Ben Waiver Adult Mental Health	-	239,061	315,757	554,818
DP 3333106 Med Ben Core Cslid Chemical Dep.	-	181,555	265,959	447,514
DP 3333109 Med Ben Facility Reimbursement	-	-	1,178,150	1,178,150
DP 3333303 Med Ben Waiver HIFA MSHP	-	86,776	7,978,856	8,065,632
DP 3333307 Facility Inflation MMHNCC	(364,223)	-	-	(364,223)
DP 3333308 Facility Inflation MCDC	-	250,150	-	250,150
DP 3333309 Facility Inflation MSH	1,732,688	-	-	1,732,688
DP 3333310 McCollum Group Home	160,555	-	-	160,555
DP 3333311 AMDD Suicide Mortality Review Team	-	-	-	-
DP 3333312 MSH Operating Increases	871,303	-	-	871,303
Other	-	264,530	(1,418,243)	(282,410)
<b>Legislative Present Law Adjustments</b>	<b>\$5,263,588</b>	<b>\$1,103,582</b>	<b>\$12,471,429</b>	<b>\$18,838,599</b>

**LFD COMMENT**

FMAP Changes

Legislative decision points for Medicaid services in the present law table combine service utilization and enrollment increases with funding adjustments due to federal Medicaid match rate (FMAP) changes, which

occur annually. The two items will be separated into distinct decision points for legislative consideration when Medicaid cost estimates for the 2017 biennium are updated.

DP 3333105 Med Ben Core Cslid Adult Mental Health – This present law adjustment fund enrollment and service utilization increases in the 2017 biennium.

DP 3333108 Med Ben Waiver Adult Mental Health - This present law adjustment fund the Home and Community Based Services (HCBS) waiver program in AMDD. The funding is anticipated to be sufficient to provide services to 198 persons annually.

DP 3333106 Med Ben Core Cslid Chemical Dep. - This present law adjustment fund enrollment and service utilization increases in chemical dependency Medicaid services the 2017 biennium.

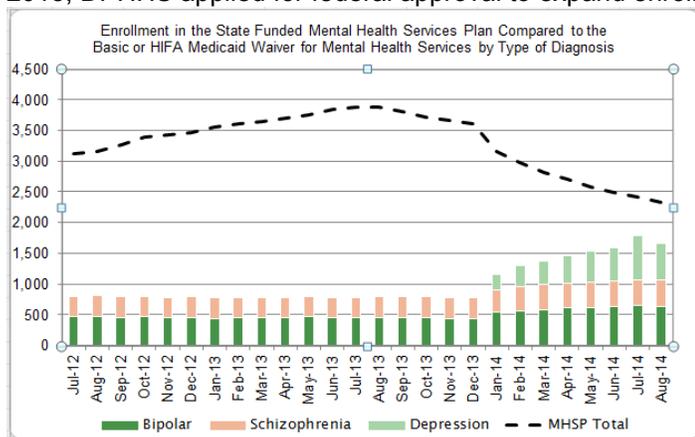
DP 3333109 Med Ben Facility Reimbursement – This present law adjustments represents the difference between the FY2015 legislative appropriation and the executive budget request for Medicaid reimbursement for facility based services.

DP 333303 - Med Ben Waiver HIFA MHSP -

This present law adjustment funds transition of persons served in the state funded MHSP program to a Medicaid program that provides mental health and physical health services. General fund is shifted from the MHSP program to pay the state Medicaid match for the increased enrollment in the HIFA/MHSP waiver. The table below shows the net funding change due to this proposal.

Funding Change in DP 333303 - Med Ben Waiver HIFA MHSP				
Service	General Fund	State Special Revenue	General Fund	State Special Revenue
HIFA/MHSP Waiver	\$4,490,494	\$718,125	\$4,490,494	\$818,862
MHSP State Program	(4,490,494)	-	(4,490,494)	-
<b>Net Change</b>	<b>\$0</b>	<b>\$718,125</b>	<b>\$0</b>	<b>\$818,862</b>

The graph below shows enrollment in the state MHSP program and the HIFA/MHSP Medicaid waiver. Enrollment in the waiver is shown by mental health diagnosis. Initial enrollment in the Medicaid waiver was targeted to persons with a diagnosis of bipolar disorder and schizophrenia and limited to an enrollment level of 800 persons. However, in late FY 2013, DPHHS applied for federal approval to expand enrollment in the waiver.



Current DPHHS estimates anticipate waiver enrollment to increase by about 50 persons per month until June 2017, when enrollment would be about 3,600 persons.

There would be about \$1.5 million left to fund MHSP after funds are shifted to pay the state match for the expanded HIFA/MHSP waiver. The enrollment in the state funded plan would be limited to about 450 persons.

**LFD COMMENT**

HIFA/MHSP Waiver Partially Funded from Medicaid and Health Initiatives State Special Revenue

The HIFA waiver adjustment is partially funded from the health and Medicaid initiative state special revenue account. As discussed in the DPHHS agency summary, the executive budget requests more money from this account than is estimated to be available in the 2017 biennium. The legislature may wish to consider whether to reduce expenditures from the account, substitute another funding source, or increasing tobacco taxes to cover the projected short fall in health and Medicaid initiatives funding.

DP 3333307 - Facility Inflation MMHNCC - This present law change adjusts certain medical and food costs from the FY 2015 legislative budget to the executive request for MMHNCC for the 2017 biennium. The adjustment reduces general fund. The adjacent table shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the executive request for each year of the biennium. Inflation in operating costs in FY 2014 was lower than anticipated by the 2013 Legislature. The figure also shows the annual rate of change over the four year time period. Annual costs range from a 76% increase between FY 2014 expenditures and the legislative base budget to a reduction of 28% in FY 2016 and a 13% increase in FY 2017.

Inflationary Increases - MMHNCC					
Type of Expenditure	FY 2014	FY 2015	Total with DP 33307		Inflation Rate FY14 - FY17
			FY 2016	FY 2017	
Drug Costs	\$515,947	\$1,166,037	\$660,870	\$750,015	13.3%
Food*	309,389	421,762	407,178	467,330	14.7%
Prescription Services	205,044	225,904	225,878	237,083	5.0%
Medical Services	42,240	77,530	60,578	72,582	19.8%
<b>Total</b>	<b>\$1,072,620</b>	<b>\$1,891,233</b>	<b>\$1,354,504</b>	<b>\$1,527,010</b>	<b>12.5%</b>
Annual Change		76.3%	-28.4%	12.7%	
Reduction from Legislative Base			(\$536,729)	(\$364,223)	
Overall Percent Increase from FY 2014			-50.0%	-34.0%	
Food includes additional fixed cost inflation of \$12,314 in FY16 and \$16,893 in FY17.					

**LFD ISSUE**

Inflation in Medical and Food Costs – MMHNCC

Annual inflation rates used for operating cost increases range from 5% to 20% from FY 2014 expenditures to the FY 2017 budget request. The I.H.S. service used by legislative and executive branch staff to estimate revenues projects annual inflation rates for various items. It estimates inflation in the cost of food consumed off premises to range between 1.1% to 1.7% annually from calendar year 2016 through 2018, while comparable inflation rates for medical services and pharmaceuticals is 3.0% to 3.6%. If the legislature were concerned that the consumer price index may understate actual inflation, it could also consider using the inflation rate included in the executive estimate of cost increases in the state employee plan. The high cost scenario assumed medical cost growth of 11% annually. The legislature could consider using either of these annual inflation rates. Over the biennium, that would reduce the request by \$568,000 using the CPI of by \$93,000 using the high trend for the state employee group plan estimate.

DP 33308 - Facility Inflation MCDC - This present law adjustment adds state special revenue to fund inflationary increases in certain operating costs for MCDC. The adjacent table shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the request for each year of the biennium. The figure also shows the annual inflation rate over the four year time period. Annual costs increase from 22% to 20%.

Inflationary Increases - MCDC					
Type of Expenditure	Actual FY 2014	Budget FY 2015	Total with DP 33308		Inflation Rate FY14 - FY17
			FY 2016	FY 2017	
Food Services	\$271,840	\$281,771	\$397,144	\$474,218	20.4%
Prescription Services	103,907	136,732	147,605	174,485	18.9%
Drugs	52,433	72,249	75,733	90,066	19.8%
Laboratory Testing	48,221	52,665	65,053	75,406	16.1%
Medical	10,574	50,280	21,895	29,305	40.5%
Dentistry	633	666	874	1,033	17.7%
<b>Total</b>	<b>\$487,608</b>	<b>\$594,363</b>	<b>\$708,304</b>	<b>\$844,513</b>	<b>20.1%</b>
Annual Change		21.9%	19.2%	19.2%	
Increase from Legislative Base			\$113,941	\$250,150	

**LFD  
ISSUE**

**Inflation in Medical and Food Costs - MCDC**

This issue is the same as the one introduced regarding MMHNCC inflationary adjustments, which discusses alternative inflation rates that the legislature could consider. If the legislature chose an alternative rate, that would reduce the request by \$514,000 to \$285,000 over the biennium.

As noted in the division budget discussion, the executive budget requests more money from the alcohol state special revenue tax than is estimated to be available in the 2017 biennium.

DP 33309 - Facility Inflation MSH - This present law adjusts various operating costs for inflation for MSH. The table on the right shows each type of cost that is included in this adjustment, the FY 2014 actual expenditure, the FY 2015 legislative base budget, and the request for each year of the biennium. The figure also shows the annual inflation rate over the four year time period. Overall the inflationary adjustment increases the selected base costs by 25% to 13% over the FY 2015 legislative base budget.

Inflationary Increases - MSH					
Type of Expenditure	FY 2014	FY 2015	Total with DP 33309		Inflation Rate
			FY 2016	FY 2017	FY14 - FY17
Medical Services	\$1,281,584	\$476,523	\$1,429,063	\$1,525,594	6.0%
Prescription Services	929,472	1,142,213	1,170,458	1,343,014	13.1%
Drug Costs	593,945	1,124,277	759,042	863,435	13.3%
Grocery	517,683	494,117	681,556	798,896	15.6%
Medical Supplies	251,123	212,626	352,393	427,685	19.4%
Laboratory Testing	234,792	254,894	314,636	373,997	16.8%
Food Services	247,834	286,781	309,012	352,821	12.5%
Laundry	116,306	141,534	140,801	154,915	10.0%
Food*	28,298	32,577	45,533	57,873	26.9%
<b>Total</b>	<b>\$4,201,037</b>	<b>\$4,165,542</b>	<b>\$5,202,494</b>	<b>\$5,898,230</b>	<b>12.0%</b>
Annual Change		-0.8%	24.9%	13.4%	
Increase from Legislative Base			\$1,036,952	\$1,732,688	
Food includes additional fixed cost inflation of \$2,321 in FY16 and \$3,183 in FY17.					

**New Proposals -**

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	Fiscal 2016					Fiscal 2017				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3333319 - Expanded Community Mental Health Services (RST)	0.00	3,548,673	(1,049,904)	0	2,498,769	0.00	3,798,673	(1,049,904)	0	2,748,769
DP 3333320 - Med Ben MFP AMDD Community Placements	0.00	0	60,604	114,653	175,257	0.00	0	102,204	189,891	292,095
DP 3333501 - McCollom Group Home Staffing MSH	10.00	515,583	0	0	515,583	10.00	512,356	0	0	512,356
DP 3333502 - Occupational Therapist MSH	0.00	63,215	0	0	63,215	0.00	63,215	0	0	63,215
DP 3333504 - B Wing Dementia Unit MMHNCC (RST)	0.00	0	0	0	0	29.20	2,005,057	0	0	2,005,057
DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST)	0.00	0	0	0	0	43.50	2,980,827	0	0	2,980,827
DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial)	0.00	250,000	0	0	250,000	0.00	250,000	0	0	250,000
DP 3333901 - PRI CD SAPT Block Grant	0.00	0	0	121,266	121,266	0.00	0	0	247,383	247,383
DP 3333902 - PRI Med Ben Waiver Services	0.00	107,315	0	203,024	310,339	0.00	221,518	0	411,573	633,091
DP 3333903 - PRI Med Ben Chemical Dependency	0.00	0	15,141	28,645	43,786	0.00	0	31,254	58,069	89,323
DP 3333904 - PRI Med Ben Mental Health	0.00	308,325	0	583,304	891,629	0.00	636,441	0	1,182,482	1,818,923
DP 3333905 - PRI MHSP	0.00	117,097	0	27,281	144,378	0.00	238,878	0	55,653	294,531
DP 3333906 - PRI Community Support	0.00	43,717	0	0	43,717	0.00	89,184	0	0	89,184
DP 3333907 - PRI RTEC Meth Substance Abuse	0.00	40,359	0	0	40,359	0.00	82,332	0	0	82,332
<b>Total</b>	<b>10.00</b>	<b>\$4,994,284</b>	<b>(\$974,159)</b>	<b>\$1,078,173</b>	<b>\$5,098,298</b>	<b>82.70</b>	<b>\$10,878,481</b>	<b>(\$916,446)</b>	<b>\$2,145,051</b>	<b>\$12,107,086</b>

DP 3333505 - Forensic Unit D Wing Montana State Hospital (RST) -

This new proposal would fund expansion of the Forensic Unit D Wing at MSH and support 43.50 new FTE. The D Wing is designed for 32 individuals and has had a census as high as 54. The expansion would provide space for containing aggressive patients and could decrease the need for intervention by a high profile corrections operation. This proposal is funded with 100% general fund.

<b>LFD COMMENT</b>	MSH Population Estimates  The executive budget assumes that the new forensic beds would be full on the first day of FY 2017. The legislature may wish to discuss where the new MSH residents would be transferred from or where the new residents would be residing before being placed in the MSH forensic unit.
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DP 3333906 - PRI Community Support -

This new proposal would fund a 2% annual provider rate increase for intensive community support services.

DP 3333504 - B Wing Dementia Unit MMHNCC (RST) -

This new proposal would fund a 25 bed dementia unit at MMHNCC. The request adds 29.20 FTE in FY 2017 and personal services and operating expenses. The proposal is funded with general fund.

<b>LFD ISSUE</b>	Increased Medicaid Reimbursement
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If the legislature approves this request, it could consider increasing the federal Medicaid appropriation authority for facility reimbursement. Dementia unit services would be eligible for Medicaid reimbursement if the person being served is under 21 or over 65 and Medicaid eligible. Federal Medicaid payments for MMHNCC facility based services are deposited to the general fund. This action would raise general fund revenue estimates as well.

DP 3333501 - McCollom Group Home Staffing MSH -

This new proposal would fund 10.00 FTE to operate the McCollom group home at MSH. The home was opened in late FY 2014 to alleviate overcrowding at the state hospital. Personnel include 7 psychiatric technicians, 1 social worker, 1 registered nurse, and 1 licensed practical nurse. The social worker would focus on making appeals and working aggressively to seek off-campus placement for forensic patients.

**LFD COMMENT**

Current Staffing

The current staffing arrangement of the McCollom group home is 13.00 FTE as noted in the Division Budget Discussion. This new proposal would provide new FTE slots for 10.00 of the 13.00 FTE.

Currently, 12.00 of the FTE supporting the group home have been reallocated from the permanent FTE funded for MSH. One of the FTE is a modified, temporary position. The legislature may wish to review with AMDD why additional FTE beyond the one temporary FTE are needed.

DP 3333502 - Occupational Therapist MSH -

This new proposal would fund contracted services for an occupational therapist at MSH. The contract would augment the services performed by the 1.00 occupational therapist FTE who serves more than 190 individuals. The number of older, physically, and mentally challenged individuals at MSH is increasing.

**LFD ISSUE**

Workload Indicators

The legislature may wish to review workload indicators for this service to determine the level of contracted services that would be necessary. Legislative staff has requested information regarding waiting lists for services or other data and information to evaluate the number of older adults with other health conditions.

DP 3333904 - PRI Med Ben Mental Health -

This new proposal funds a 2% annual provider rate increase for Medicaid adult mental health services.

**LFD ISSUE**

Appropriation Insufficient to Fund 2% Provider Rate Increase

The executive budget includes a request to fund a 2% annual provider rate increase. The following figure shows the cost of a 2% rate increase for Medicaid services administered by AMDD, the estimated cost of a 2% provider rate increase, and the executive budget request. The executive request is \$0.7 million less than needed to fully fund a 2% provider rate increase. The funding in the executive budget is sufficient to fund a 1.5% rate increase in each year of the biennium.

Legislative staff has requested additional information on how non-Medicaid rate increases were calculated including which services are to receive a rate increase, the estimated base amount subject to a rate increase, and the allocation of the rate increase funding to each service. That information will be available for legislative consideration.

DPHHS updates its Medicaid cost estimates during the legislative session. The legislature may wish to review the revisions to services listed in the figure below and the amount of funding requested in the executive budget to determine the actual level of rate increase that could be funded compared to the level, if any, provider rate increase the legislature wishes to fund.

Adequacy of Executive Request to Fund a 2% Annual Provider Rate Increase				
Service Group	2% Rate Increase	Exec. Request	2% Rate Increase	Exec. Request
Adult Mental Health Medicaid	\$943,328	\$891,629	\$1,818,923	\$1,979,141
HIFA/MSHP Waiver	491,530	165,375	992,892	472,636
HCBS Waiver	78,654	78,655	158,882	160,455
Chemical Dependency Medicaid	<u>46,006</u>	<u>43,786</u>	<u>97,646</u>	<u>89,323</u>
Total	1,559,519	1,179,445	3,068,342	2,701,555
Executive Request Over (Under)		(\$380,074)		(\$366,787)
Biennial Shortfall				(\$746,861)

DP 3333902 - PRI Med Ben Waiver Services -

This new proposal funds a 2% annual provider rate increase for Medicaid community waiver services and the HIFA/MHSP waiver.

DP 3333903 - PRI Med Ben Chemical Dependency -

This new proposal funds a 2% annual provider rate increase in each year of the biennium for Medicaid chemical dependency services.

**LFD COMMENT**

Alcohol State Special Revenue Insufficient to Fund Executive Request

This new proposal uses alcohol state special revenue as the source of state Medicaid match for the provider rate increase. As discussed in the Funding section, there will be insufficient money in the account to fund the executive budget request based on revenue estimates adopted by the Interim Committee on Revenue and Transportation.

DP 3333907 - PRI RTEC Meth Substance Abuse -

This new proposal would fund a 2% annual provider rate increase in each year of the biennium for community group home services to treat methamphetamine addiction and other types of chemical dependency.

DP 3333319 - Expanded Community Mental Health Services (RST) -

This new proposal includes funding for additional community mental health services and a funding switch that reduces state special revenue and increases general fund. Community services funding would support: housing and re-entry, crisis intervention training, additional 72 hour crisis services, drop in centers, county matching grants (HB130), peer support, contracted forensic psychologists, and supported employment. The funding switch eliminates state special revenue

transferred from Community Mental Health Centers that is used as state Medicaid match and replaces the county funds with general fund. This proposal was discussed in the Division Budget Discussion.

DP 3333320 - Med Ben MFP AMDD Community Placements -

This new proposal requests \$467,352 in total funds over the biennium including \$162,808 in state special revenue to fund additional slots for the Home and Community Base Services Waiver expansion through the Money Follows the Person program. This change package will provide funding for an additional 9 slots in FY 2016 and 15 slots in FY 2017 for individuals transitioning out of state facilities.

DP 3333905 - PRI MHSP -

This new proposal requests funds a 2% annual provider rate for the state funded MHSP program. The rate increase is funded partially from general fund and from the federal mental health block grant.

DP 3333506 - Suicide Prevention Grants (OTO/RST/Biennial) -

This proposal would use general fund to provide grants for suicide prevention.

DP 3333901 - PRI CD SAPT Block Grant -

This new proposal funds a 2% annual provider rate increase for chemical dependency community services funded from the federal substance abuse prevention block grant.