

# The Legislative Fiscal Division Presents an Agency Profile of: The Department of Health and Human Services

Contact: Lois Steinbeck, Senior Analyst, Rm. 118, State Capitol, Phone: 444-5391, E-mail: [lsteinbeck@mt.gov](mailto:lsteinbeck@mt.gov)

Marilyn Daumiller, Senior Analyst, Rm. 132, State Capitol, Phone: 444-5386, E-mail: [mdaumiller@mt.gov](mailto:mdaumiller@mt.gov)

Rob Miller, Fiscal Analyst, Rm. 110 G State Capitol, Phone: 444-1795, E-mail: [robertmiller@mt.gov](mailto:robertmiller@mt.gov)

Updated December 2012

## Agency Description

## Definition of Terms

The Department of Public Health & Human Services (DPHHS) mission is: Improving and protecting the health, well-being and self-reliance of all Montanans.

The organizational structure of the department consists of three main branches, in addition to the Public Health and Safety Division, and the Director's Office. The branches and the related divisions are:

- Economic Security Services Branch consisting of:
  - ◇ Disability, Employment, and Transitions Program
  - ◇ Human and Community Services Division
  - ◇ Child and Family Services Division
  - ◇ Child Support Enforcement Division
- Operations Services Branch consisting of:
  - ◇ Business and Financial Services Division
  - ◇ Quality Assurance Division
  - ◇ Technology Services Division
  - ◇ Management and Fair Hearings Program
  - ◇ Medicaid and Health Services Branch:
- Developmental Services Division
  - ◇ Health Resources Division
  - ◇ Medicaid and Health Services Program
  - ◇ Senior and Long Term Care Division
  - ◇ Addictive and Mental Disorders Division

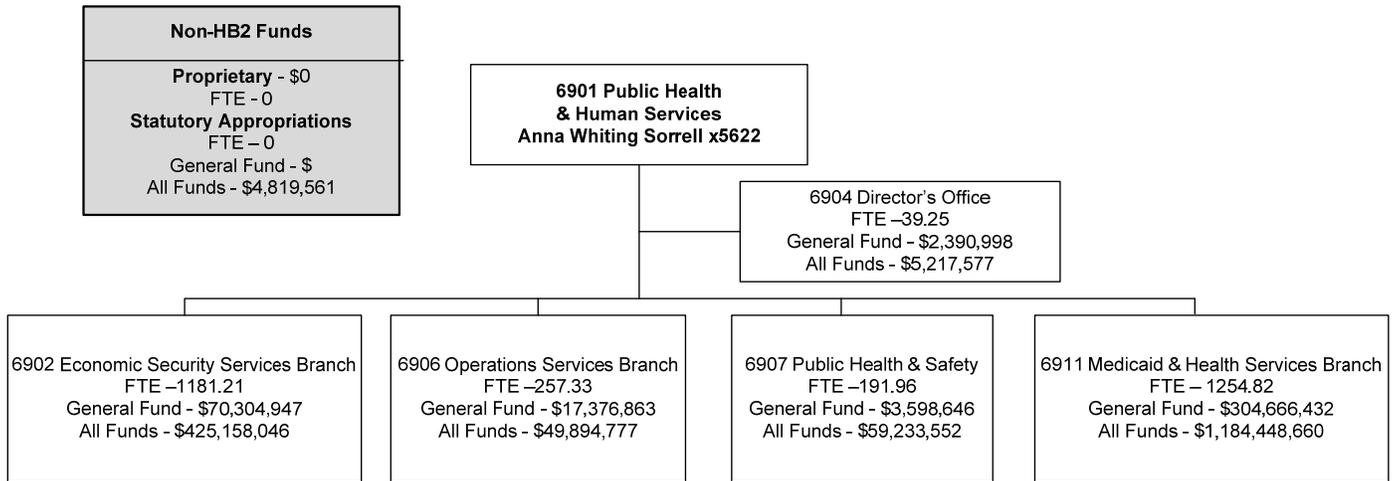
# Agency Description Cont.

DPHHS is established in state statute Title 2, Chapter 15, Part 22 of Montana Code Annotated (MCA). The primary state statutory references defining its duties and responsibilities are:

- Titles 40, 41, and 42 for Family Law, Minors, and Adoption
- Titles 50, 52, and 53 for Health and Safety, Family Services, and Social Services and State Facilities

There is also a significant body of federal law, rules, and policies as well as state and federal court decisions that impact DPHHS administration of programs.

Below is an organizational chart of the agency including full-time equivalent (FTE) numbers, general fund appropriations, statutory appropriations, proprietary funds and total of all funds. Unless otherwise noted, all phone extensions are preceded by (406) 444.



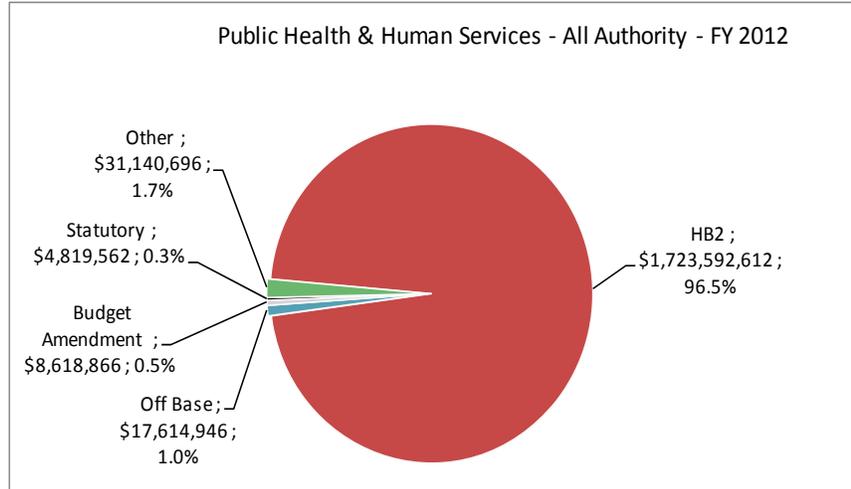
## How Services are Provided

Services administered by the three branches and the Public Health and Safety Division include: public assistance, Medicaid, foster care and adoption, nursing home licensing, long term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention).

The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include: Montana State Hospital, Warm Springs; Montana Mental Health Nursing Care Center, Lewistown; Montana Chemical Dependency Center, Butte; Eastern Montana Veterans' Home, Glendive; Montana Veterans' Home, Columbia Falls; and the Montana Developmental Center, Boulder.

DPHHS also administers programs by contracting for and through direct provision of services. Most Medicaid, CHIP, childcare, and other services that directly benefit low-income individuals are delivered by contractors enrolled in provider networks with DPHHS. Other services, such as low-income energy assistance and out-of-home foster care, and development and maintenance of larger computer systems, are provided by businesses that contract with the department. A significant component of foster care services is provided by families who contract with DPHHS. A number

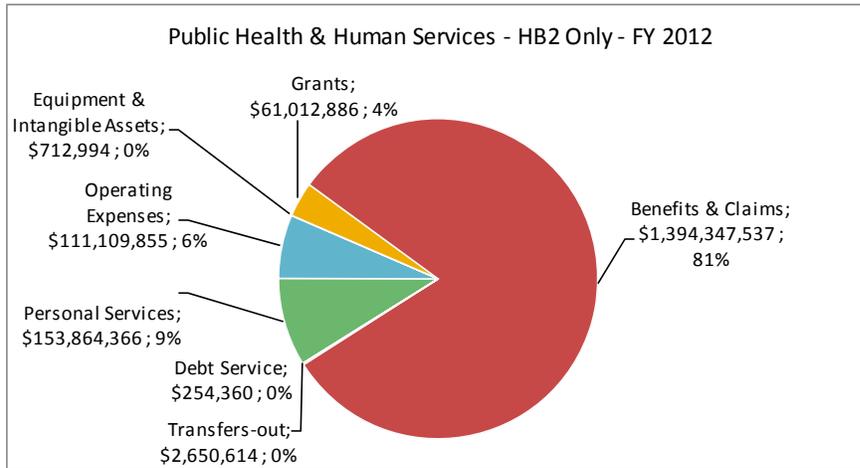
## Sources of Spending Authority



The above chart shows the sources of authority for base year expenditures. The accounting term, off base, refers to one-time-only spending and non-budgeted items like inventory adjustments. Other legislative appropriations (sometimes called cat and dog bills) are included in the above categories as appropriate. For a more detailed description of accounting terminology, please refer to the definition of terms.

# Expenditures

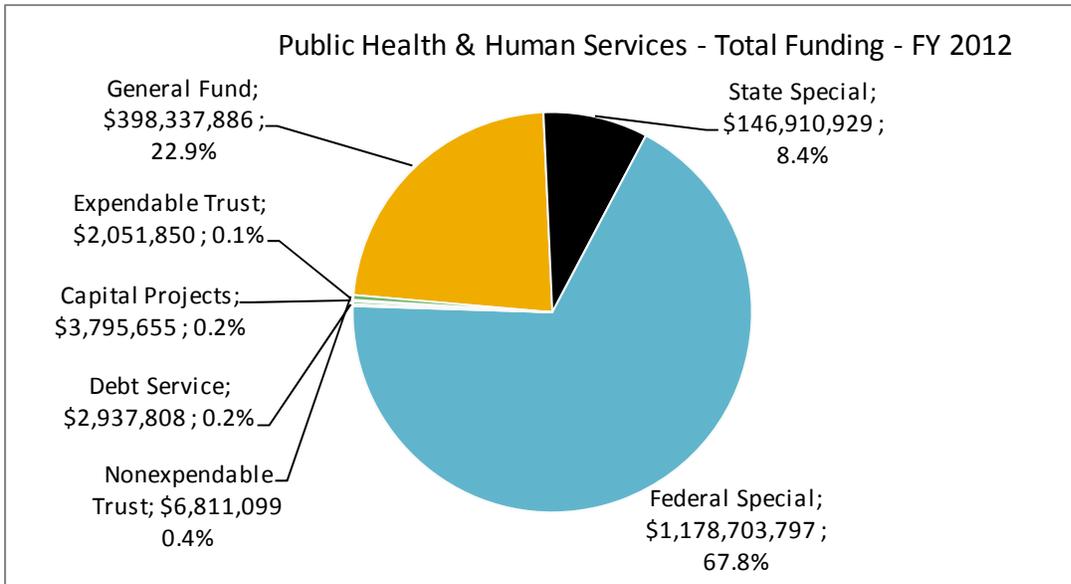
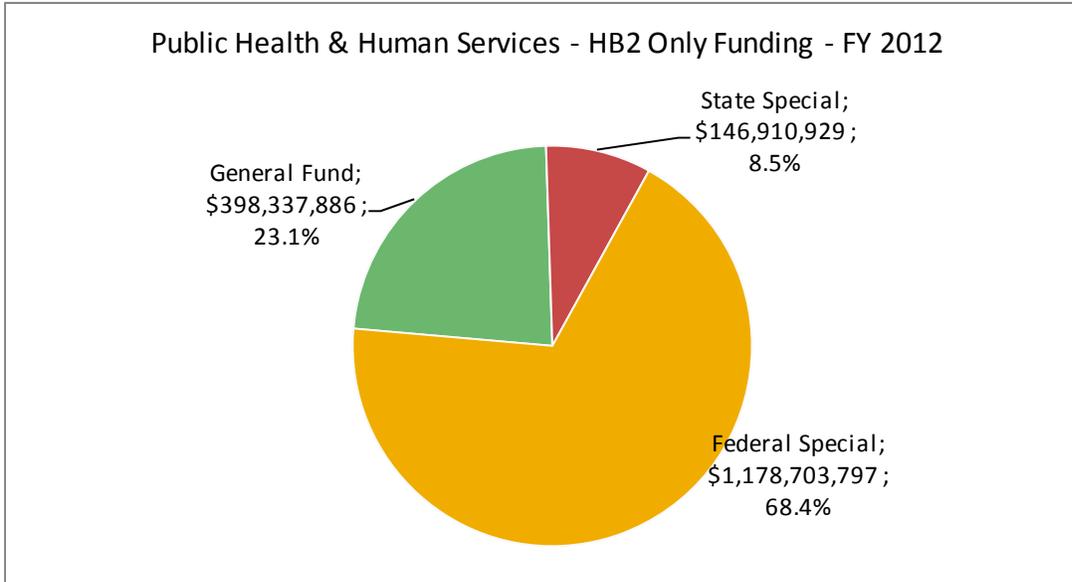
The next chart explains how the HB2 authority is spent.



This chart matches the agency chart found in the 2015 Budget Analysis. Please note that benefits and claims represent payment for services provided to individuals who meet specific eligibilities criteria. Medicaid services are the largest share of these expenditures.

# Funding

The following charts show the agency's HB2 funding authority by fund type and all sources of its total funding authority.



## How the 2013 Legislature Can Effect Change

DPHHS expenditures are driven by the number of persons receiving or eligible to receive services, the cost of those services, and in some cases the availability of federal grant funds to address specific issues. In order to change expenditure levels and/or DPHHS activity, the legislature must address one or more of the following policies that drive costs:

- Who will receive services
- The level of services that will be provided
- Program management of DPHHS

The following table in the Major Cost Drivers section illustrates the major service areas.

### Major Cost Drivers

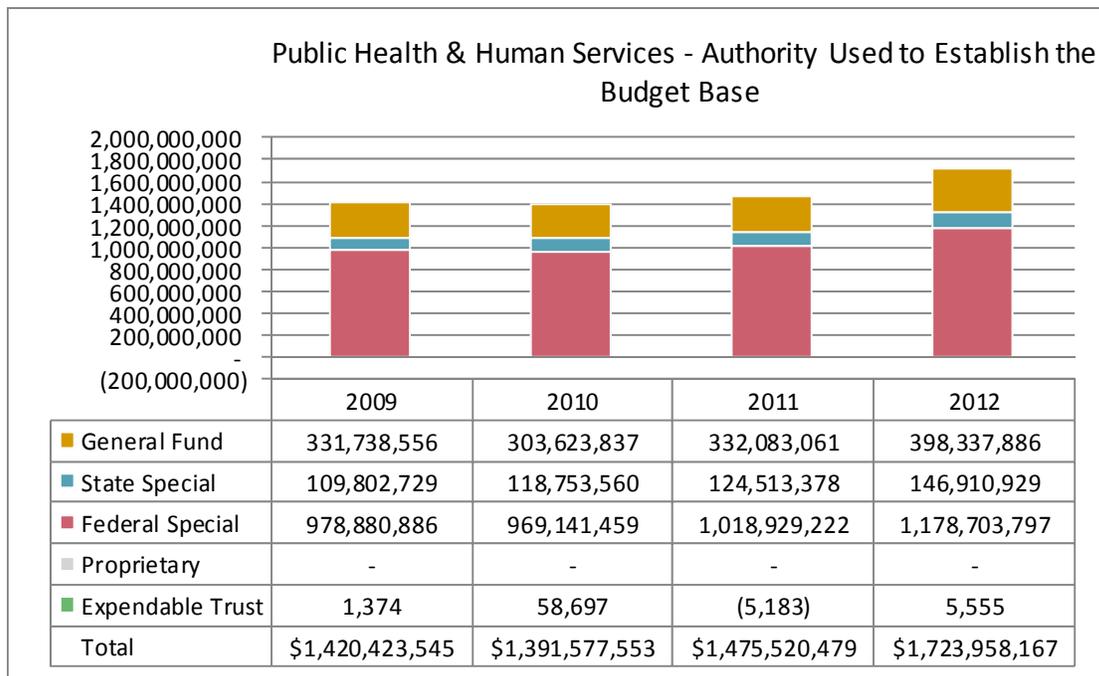
	2009		2012	
<i>Program</i>	<i>Total Cost/Number Eligible</i>	<i>Cost Per Eligible</i>	<i>Total Cost/Number Eligible</i>	<i>Cost Per Eligible</i>
Medicaid Services*				
Total Cost of Services* Number Eligible	\$836,864,075 81,597	\$10,256	\$983,453,413 105,251	\$9,344
Adults Number Eligible	33,645		35,894	
Children Number Eligible	47,953		69,357	
TANF—Cash assistance Average Monthly Cases	\$18,984,544 3,711	\$5,116	\$16,777,518 3,282	\$5,112
SNAP (formerly Food Stamps) Number of Households	\$170,224,019 48,968	\$3,476	\$195,440,926 58,919	\$3,317
Childcare Subsidy No. of Children	\$22,558,255 10,338	\$2,182	\$24,684,190 10,352	\$2,384
Low Income Energy Asst. Number of Households	\$19,488,244 22,448	\$868	\$12,819,519 22,793	\$562
Subsidized Adoption Number of Subsidies	\$11,745,597 2,263	\$5,190	\$14,017,799 2,504	\$5,598
Foster Care Number of Clients	\$17,245,335 4,269	\$4,039	\$15,448,896 3,939	\$3,922
Vocational Rehabilitation**	\$12,523,122 7,959	\$1,573	\$12,626,983 8,300	\$1,521
Child Support Enforcement	\$63,846,114 38,969 cases		\$70,035,872 40,019 cases	

\*FY 2012 data for Medicaid expenditures is not final. The average cost per Medicaid eligible declines from FY 2009 to FY 2012 due to the increase in the number of children enrolled. The average cost to serve a child is lower than the average cost for adult medical services.\*

# Funding/Expenditure History

Reasons for changes in the following chart include:

- A voter initiative passed in 2008 established the Healthy Montana Kids (HMK) program and raised financial eligibility for children resulting in increased enrollment in CHIP and Medicaid and raised state special revenue to fund the expansion
- The American Recovery and Reinvestment Act of 2009 (ARRA) provided substantial federal funding that replaced general fund, particularly through a temporary 10% increase in federal support for the Medicaid program beginning in the later part of 2010 and extending through 2011
- The Great Recession that caused general fund revenues to decline to the point that the Governor ordered spending reductions in 2010 and 2011, which lowered general fund expenditures in DPHHS
- The loss of the ARRA enhanced federal Medicaid match in 2012 resulting in higher general fund and state special revenue to support base level Medicaid services



## Major Legislative Changes in the Last Four Years

### 2007 Legislature

- Appropriated funds to implement Healthy Montana Kids, which:
  - Raised eligibility to 250% of the federal poverty level for CHIP services
  - Eliminated consideration of household assets
  - Created a state special revenue account to fund expanded enrollment by diverting 16.5% of the insurance premium tax proceeds from the general fund to the account
- Implemented a 2.5% annual provider rate increase
- Appropriated funds for a provider rate increase targeted to raise wages of workers providing direct care
- Appropriated funds for a provider rate increase to support healthcare for direct care workers providing in-home Medicaid services

### 2009 Legislature

- Used general fund freed up due to the enhanced federal Medicaid match per the American Recovery and Reinvestment Act (ARRA) of 2009 for:
  - One-time provider rate increases
  - Additional community aging services
- Increased benefit levels for TANF to 33% of the 2009 federal poverty level
- Raised the TANF eligibility standard to 30% of the 2009 FPL through September 30, 2010, when ARRA funds terminated

### 2011 Legislature

- Provided funding for the Health Insurance Flexibility and Accountability (HIFA) waiver to move up to 800 low income persons with a severe and disabling mental illness from a limited state funded services to a Medicaid funded mental health and physical health services
- Revised the medical marijuana laws with the passage of SB 423

For further information, you may wish to contact the agency at:

Department of Health and Human Services

111 North Sanders Street

Helena MT, 59602-1408

(406) 444-0936

web: <http://www.dphhs.mt.gov>

**Agency Budget Comparison**

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

Department of Public Health and Human Services Budget by Branch	Base Fiscal 2012	Approp. Fiscal 2013	Exec. Request Fiscal 2014	Exec. Request Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium \$ Change	Biennium % Change
<b>Full Time Equivalents (FTE)</b>	<b>2924.6</b>	<b>2924.6</b>	<b>2953.1</b>	<b>2953.1</b>	<b>2924.6</b>	<b>2953.1</b>	<b>28.5</b>	<b>1.0%</b>
6902 - Economic Securities and Services	\$425,158,046	\$532,756,214	\$250,127,681	\$252,649,411	\$957,914,260	\$502,777,092	(\$455,137,168)	-47.5%
6904 - Directors Office	5,217,577	3,840,372	3,900,726	3,899,778	9,057,949	7,800,504	(1,257,445)	-13.9%
6906 - Operations Services	49,894,777	42,626,406	55,746,356	54,904,458	92,521,183	110,650,814	18,129,631	19.6%
6907 - Public Health & Safety Division	59,233,552	58,070,458	65,498,828	65,500,972	117,304,010	130,999,800	13,695,790	11.7%
6911 - Medicaid and Health Services	<u>1,184,448,660</u>	<u>1,295,383,377</u>	<u>1,337,210,922</u>	<u>1,407,027,210</u>	<u>2,479,832,037</u>	<u>2,744,238,132</u>	<u>264,406,095</u>	10.7%
<b>Total Proposed Budget by Agency</b>	<b>\$1,723,952,612</b>	<b>\$1,932,676,827</b>	<b>\$1,712,484,513</b>	<b>\$1,783,981,829</b>	<b>\$3,656,629,439</b>	<b>\$3,496,466,342</b>	<b>(\$160,163,097)</b>	<b>-4.4%</b>
Personal Services	\$153,864,366	\$159,874,448	\$167,281,444	\$167,201,016	\$313,738,814	\$334,482,460	\$20,743,646	6.6%
Operating Expenses	111,109,855	103,664,824	121,519,726	125,677,150	214,774,679	247,196,876	32,422,197	15.1%
Equipment & Intangible Assets	712,994	670,318	740,994	802,994	1,383,312	1,543,988	160,676	11.6%
Grants	61,012,886	60,910,876	78,354,733	75,014,179	121,923,762	153,368,912	31,445,150	25.8%
Benefits & Claims	1,394,347,537	1,603,465,315	1,341,650,326	1,412,351,000	2,997,812,852	2,754,001,326	(243,811,526)	-8.1%
Transfers	2,650,614	3,597,289	2,644,914	2,643,114	6,247,903	5,288,028	(959,875)	-15.4%
Debt Service	<u>254,360</u>	<u>493,757</u>	<u>292,376</u>	<u>292,376</u>	<u>748,117</u>	<u>584,752</u>	<u>(163,365)</u>	-21.8%
<b>Total Proposed Budget by Expense</b>	<b>\$1,723,952,612</b>	<b>\$1,932,676,827</b>	<b>\$1,712,484,513</b>	<b>\$1,783,981,829</b>	<b>\$3,656,629,439</b>	<b>\$3,496,466,342</b>	<b>(\$160,163,097)</b>	<b>-4.4%</b>
01000 General Fund	\$398,337,886	\$422,356,927	\$444,387,071	\$463,365,804	\$820,694,813	\$907,752,875	\$87,058,062	10.6%
02000 State Special Revenue Funds	146,910,929	152,107,295	153,058,492	156,340,785	299,018,224	309,399,277	10,381,053	3.5%
03000 Federal Special Revenue Funds	<u>1,178,703,797</u>	<u>1,358,212,605</u>	<u>1,115,038,950</u>	<u>1,164,275,240</u>	<u>2,536,916,402</u>	<u>2,279,314,190</u>	<u>(257,602,212)</u>	-10.2%
<b>Total Proposed by Funding</b>	<b>\$1,723,952,612</b>	<b>\$1,932,676,827</b>	<b>\$1,712,484,513</b>	<b>\$1,783,981,829</b>	<b>\$3,656,629,439</b>	<b>\$3,496,466,342</b>	<b>(\$160,163,097)</b>	<b>-4.4%</b>

**Total Adjustments Included in the Executive Budget**

The following table summarizes the total adjustments by individual statewide present law adjustment, other present law adjustments, and new proposals for the department.

Department of Public Health and Human Services Present Law Adjustments and New Proposals (\$ Millions)								
Fiscal Year 2014								
Branch/Division	FY 2012 Base	Personal Services Adjustments	Vacancy Savings	Inflation Deflation	Fixed Cost Adjustments	Present Law Adjustments	New Proposals	Total
6902 - Economic Securities and Services Branch	\$425.16	\$6.40	(\$2.60)	(\$0.03)	(\$0.08)	\$5.57	(\$184.30)	(175.03)
6904 - Directors Office	5.22	(1.26)	(0.13)	(0.00)	0.02	0.00	0.00	(1.36)
6906 - Operations Services Branch	49.89	2.07	(0.66)	0.03	0.68	3.68	0.16	5.95
6907 - Public Health & Safety Division	59.23	1.66	(0.49)	(0.00)	0.12	0.90	4.08	6.27
6911 - Medicaid and Health Services Branch	<u>1,184.45</u>	<u>5.36</u>	<u>(2.85)</u>	<u>(0.07)</u>	<u>0.26</u>	<u>113.15</u>	<u>36.66</u>	<u>152.51</u>
Total FY 2014	\$1,723.95	\$14.23	(\$6.72)	(\$0.07)	\$1.00	\$123.31	(\$143.41)	(\$11.66)
Fiscal Year 2015								
Branch/Division	FY 2012 Base	Personal Services Adjustments	Vacancy Savings	Inflation Deflation	Fixed Cost Adjustments	Present Law Adjustments	New Proposals	Total
6902 - Economic Securities and Services Branch	\$425.16	6.48	(2.60)	0.00	(0.08)	7.06	(183.37)	(172.51)
6904 - Directors Office	5.22	(1.26)	(0.13)	(0.00)	0.02	0	0	(1.36)
6906 - Operations Services Branch	49.89	2.09	(0.66)	0.05	0.20	3.36	0.10	5.14
6907 - Public Health & Safety Division	59.23	1.68	(0.49)	0.00	0.11	0.90	4.08	6.27
6911 - Medicaid and Health Services Branch	<u>1,184.45</u>	<u>5.14</u>	<u>(2.84)</u>	<u>(0.01)</u>	<u>0.24</u>	<u>167.20</u>	<u>52.38</u>	<u>222.11</u>
Total FY 2015	<u>\$1,723.95</u>	<u>\$14.13</u>	<u>(\$6.72)</u>	<u>\$0.04</u>	<u>\$0.49</u>	<u>\$178.52</u>	<u>(\$126.81)</u>	<u>\$59.65</u>
<b>Total 2015 Biennium</b>		\$28.36	(\$13.44)	(\$0.03)	\$1.49	\$301.82	(\$270.22)	\$47.99

**Mission statement:** Improving and protecting the health, well-being and self-reliance of all Montanans. For additional information, please refer to the agency profile.

The Department of Public Health and Human Services (DPHHS) administers a wide spectrum of programs and projects, including: public assistance, Medicaid, foster care and adoption, nursing home licensing, long-term care, aging services, alcohol and drug abuse programs, mental health services, vocational rehabilitation, disability services, child support enforcement activities, and public health functions (such as communicable disease control and preservation of public health through chronic disease prevention). The department has four branches and the Director's Office. The branches and the related divisions are:

- Economic Security Services Branch consisting of the Management and Disability Transition Program, Human and Community Services Division, Child and Family Services Division, and the Child Support Enforcement Division
- Operations Services Branch consisting of the Business and Financial Services Division, Quality Assurance Division, Technology Services Division, and the Management and Fair Hearings Program
- Public Health and Safety Branch
- Medicaid and Health Services Branch consisting of the Disability Services Division, Health Resources Division, Medicaid and Health Services Program, Senior and Long-term Care Division, and the Addictive and Mental Disorders Division

The department is also responsible for all state facilities except correctional institutions. DPHHS facilities include:

- Montana State Hospital, Warm Springs
- Montana Mental Health Nursing Care Center, Lewistown
- Montana Chemical Dependency Center, Butte

- Eastern Montana Veterans' Home, Glendive
- Montana Veterans' Home, Columbia Falls
- Montana Developmental Center, Boulder

Additional information is included in the agency profile.

**Agency Highlights**

<b>Department of Public Health and Human Services Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The DPHHS 2015 biennium budget is \$160 million less than the 2013 biennium due to a \$257.6 million reduction in federal funds that is partially offset by a \$97.4 million increase in state funding (\$87.1 million general fund \$10.3 million state special revenue)</li> <li>◆ Benefits (services to individuals) show a net reduction of \$243.8 million, due to an executive proposal to move \$381.9 million in Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 to a statutory appropriation</li> <li>◆ Increased funding for enrollment and service utilization growth in Medicaid and other programs partially offsets the reduction and adds about \$213.4 million</li> <li>◆ A new proposal for a 2% annual provider rate increase adds \$47.6 million including \$16.9 million general fund</li> <li>◆ Health Information Technology federal funding increases \$17.6 million</li> <li>◆ Increased funding for FTE is due to state wide present law adjustments that include pay increases that will grow the base \$6.0 million each year of the biennium.</li> <li>◆ The 2015 biennium budget includes an increase of \$17.0 million general fund and a reduction of state special revenue due to fully expending one-time savings related to the enhanced federal Medicaid match authorized by the American Recovery and Reinvestment Act of 2009</li> <li>◆ Increases are partially offset by the removal of lawsuit settlement costs recorded as Medicaid service expenditures in the base budget</li> </ul>

<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ The Medicaid present law budget request does not include the cost impacts related to Medicaid eligibility changes and reductions to disproportionate share hospital (DSH) implemented by the Patient Protection and Affordable Care Act</li> <li>◆ The legislature may wish to review the most recent information for Medicaid services costs prior to taking action on present law adjustments for the following Medicaid services:               <ul style="list-style-type: none"> <li>● Hospital</li> <li>● Physician</li> <li>● Medicare buy in</li> <li>● Mid-level practitioners</li> <li>● Pharmacy</li> <li>● Indian Health Services</li> <li>● Acute care</li> </ul> </li> <li>◆ Base budget Medicaid services costs include \$7.5 million in payments to settle two lawsuits, including \$3.0 million general fund for the South Pointe office space development lawsuit</li> <li>◆ Due to the delayed receipt of documentation supporting the executive budget request there are several issues included in the budget analysis that are incomplete, but that will be finalized for presentation during legislative deliberations</li> </ul>



### Agency Overview

The 2015 biennium DPHHS budget is \$160.2 million lower than the 2013 biennium budget due to the executive proposal to remove federal budget authority for Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 to a statutory appropriation. This change totals a negative \$381.9 million over the biennium. It is offset by increases in other areas, primarily in Medicaid enrollment, service utilization increases and provider rate increases, which are about \$213.4 million greater over the biennium.

The proposed changes that the legislature will consider are the differences from the FY 2012 base budget that total a net increase of \$49.6 million. The difference between the two ways to compare the budget – biennium to biennium versus FY 2012 compared to each year of the 2015 biennium – differ markedly due to the FY 2013 appropriation. The FY 2013 budget is included in the biennium to biennium comparison but not the comparison of the base budget to each year of the 2015 biennium. Since the FY 2013 appropriation is higher than any of the other three years, it causes the biennium to biennium comparison to be lower than the comparison of the base year to each fiscal year of the 2015 biennium.

The executive proposal to remove SNAP benefits appropriations from HB 2 and provide a statutory appropriation lowers spending by \$410.6 million (compared to the base budget doubled). That reduction is offset by the following adjustments the legislature will consider:

- \$209.6 million in Medicaid caseload adjustments, with some of the biggest adjustments being:
  - \$49.8 million for two components of Healthy Montana Kids (HMK) that provide services to children from the highest income families
  - \$42.5 million in federal funds for pass-through payments for Medicaid services provided by Indian Health Services and schools
  - \$25.0 million including \$5.8 million general fund for Medicaid hospital and clinic services
  - \$22.5 million including \$9.5 million general fund for developmental disability waiver services
- \$47.6 million including \$16.9 general fund for a 2% annual provider rate increase
- \$9.5 million federal funds for increased authority for Temporary Assistance for Needy Families (TANF) benefits and programs

**Overview Summary**

The DPHHS agency overview will highlight several issues related to the DPHHS budget including:

- o Personal services costs related to pay increases granted by DPHHS, vacancy savings rates, and vacant positions
- o Provider rate increases by major function
- o Total caseload increases from base budget expenditures
- o General fund appropriated for Medicaid health services costs that was used for other purposes
- o The impact of federal sequestration if Congress does not act to prevent automatic reductions in certain federal funding sources
- o The Patient Protection and Affordable Care Act (ACA) as it relates to:
  - o The mandated changes required to the state Medicaid program
  - o The option to expand Medicaid eligibility included in the Governor’s budget proposal embodied in LC0900
- o Differences in inflation rates applied to facility operating costs
- o Differences in state Medicaid match rates
- o Discussion of major state special revenue sources that support multiple programs in DPHHS and two programs administered by the State Auditor
- o Other legislation that affects DPHHS
- o A table showing the 2012 federal poverty level

**Personal Services**

The 2015 biennium budget funds 2,953 FTE, an increase of 28.5 FTE from the 2013 biennium. A significant number of the FTE are located in field offices throughout the state and in the six state facilities managed by the department.

In FY 2012, the department utilized 97% of the FTE hours budgeted in HB 2, compared to a legislatively imposed vacancy savings rate on all positions of 4%. 217 (FTE) positions have been vacant for an average of six months, seven (FTE) positions have been vacant for over two years, 24 (FTE) positions have been vacant between one and two years and 32 (FTE) positions have been vacant between six months and one year. Figure 1 shows total usage rates for HB 2 funded FTE as well as other FTE (modified positions that are in addition to those funded by HB 2) and FTE funded from one time only sources.

**Figure 1**

Department of Health and Human Services Full Time Equivalent Usage Rate FY 2012				
FTE Type	FTE	Budgeted Hours	Hours Used	Utilization Rate
Budget Amendment	22	44,954	24,675	55%
Cat and Dog Approp	20	41,760	19,087	46%
HB 2 Modified	8	15,660	12,985	83%
HB 2 OTO	5	10,440	8,630	83%
HB 2 Regular	2,925	6,107,182	5,922,512	97%
Private Funds	<u>2</u>	<u>3,445</u>	<u>3,025</u>	88%
Grand Total	2,981	6,223,441	5,990,914	96%

In recent years, the department compensation averaged 85.8% of the local market. Figure 2 shows compensation relative to market for each pay band.

**Figure 2**

DPHHS Compensation Compared to Market	
Pay Band	Percent of Market
02	88.3%
03	82.5%
04	87.4%
05	87.0%
06	88.5%
07	80.6%
08	69.7%
09	83.7%
DPHHS Average	85.8%

*DPHHS Pay Raises*

DPHHS approved salary increases over the interim utilizing its authority granted in broadband pay plan statutes as authorized under Title 2, Chapter 18 MCA. The department implemented the broadband pay adjustments May 5, 2012 at an estimated cost of \$6,236,000 annually. Using the same general fund funding percentage for salaries as incurred in FY 2012, DPHHS estimated the general fund cost for salary increases at about \$3.2 million annually.

Each DPHHS employee received a raise equal to the greater of 20 cents per hour or 85% of the midpoint salary in an occupational range from the most recent market/salary survey conducted by the Department of Administration. Broadband adjustments were capped at \$1.15 per hour or 7.88% depending on work assignment.

The present law adjustment table shows personal services adjustments of \$14.2 million for each year of the biennium. The salary adjustments provided in May of 2012 account for \$6.0 million of that amount.

**LFD  
ISSUE**

Present Law Personal Services Adjustments by Program

Some statewide present law adjustments for individual program budgets are significant. The legislature may wish to evaluate the following components of those adjustments:

- The total amount for the pay raise granted by DPHHS
- The number and cost for positions vacant more than 1 year, as well as the reason for the extended vacancy by position

The legislature could request that DPHHS provide the information as part of its budget presentation for each division and if applicable each subprogram within the division.

**Provider Rate Increases**

The executive budget includes a 2% annual provider rate increase for most community services funded by DPHHS. Figure 3 shows the amount included in the executive request by service. Total costs for the rate increase are \$47.6 million total funds, including \$16.9 million general fund.

**Figure 3**

Department of Health and Human Services								
Provider Rate Increases								
Provider Rate Increase Decision Packages	New Proposal FY 2014				New Proposal FY 2015			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
<b>6902 - Economic Securities and Services Branch</b>								
1901 - PRI Vocation Rehabilitation	\$67,384	0	\$104,226	\$171,610	\$136,116	0	\$210,536	\$346,652
20901 - PRI Child Care	489,482	0	0	489,482	988,754	0	0	988,754
30901 - PRI - Foster Care	153,014	0	69,218	222,232	309,193	0	139,716	448,909
30902 - PRI - Subsidized Adoption	23,746	0	28,261	52,007	48,009	0	57,045	105,054
30903 - PRI - Subsidized Guardianship	2,686	0	1,823	4,509	5,429	0	3,679	9,108
30904 - PRI - In Home Services	<u>31,976</u>	<u>0</u>	<u>0</u>	<u>31,976</u>	<u>64,591</u>	<u>0</u>	<u>0</u>	<u>64,591</u>
Subtotal	768,288	0	203,528	971,816	1,552,092	0	410,976	1,963,068
<b>6911 - Medicaid and Health Services Branch</b>								
10901 - DD Medicaid Provider Rate Incr.	638,857	0	1,258,551	1,897,408	1,295,474	0	2,537,290	3,832,764
10902 - DDP Non-Medicaid PRI	87,944	0	0	87,944	177,646	0	0	177,646
10903 - PRI - CMH Medicaid Core	467,987	0	921,935	1,389,922	948,983	0	1,858,660	2,807,643
10904 - CMH Non-Medicaid PRI	19,882	0	0	19,882	40,161	0	0	40,161
10905 - CMH 100% Federal Medicaid PRI	0	0	468,005	468,005	0	0	945,371	945,371
11901 - PRI - HMK Group	0	28,360	91,656	120,016	0	57,311	185,122	242,433
11902 - PRI - Medicaid Core	1,563,607	0	3,086,642	4,650,249	3,158,642	0	6,230,405	9,389,047
11903 - PRI - HMK Medicaid CHIP Funded Group	0	46,739	151,057	197,796	0	94,454	305,097	399,551
22901 - PRI Med Ben Core Nursing Homes	958,145	0	1,882,487	2,840,632	1,938,322	0	3,799,755	5,738,077
22902 - PRI Med Ben Core Home Based Services	276,720	0	543,679	820,399	559,804	0	1,097,401	1,657,205
22903 - PRI Med Ben Waiver SLTC	246,745	0	484,784	731,529	499,163	0	978,526	1,477,689
22904 - PRI - Aging Services	209,887	0	0	209,887	423,971	0	0	423,971
33901 - PRI Med Ben Waiver AMDD	0	102,377	201,142	303,519	0	207,108	406,001	613,109
33902 - PRI Med Ben Adult Mental Health	172,683	95,214	526,342	794,239	348,820	192,400	1,063,170	1,604,390
33903 - PRI - HB 131 Crisis Beds	5,500	0	0	5,500	11,110	0	0	11,110
33904 - PRI - CD SAPT Block Grant	0	0	82,718	82,718	0	0	167,091	167,091
33905 - PRI - Mental Health Services Plan	175,744	0	0	<u>175,744</u>	355,002	0	0	<u>355,002</u>
Subtotal	<u>4,823,701</u>	<u>272,690</u>	<u>9,698,998</u>	<u>14,795,389</u>	<u>9,757,098</u>	<u>551,273</u>	<u>19,573,889</u>	<u>29,882,260</u>
Grand Total	<u>\$5,591,989</u>	<u>\$272,690</u>	<u>\$9,902,526</u>	<u>\$15,767,205</u>	<u>\$11,309,190</u>	<u>\$551,273</u>	<u>\$19,984,865</u>	<u>\$31,845,328</u>
Biennial Total	<u>\$16,901,179</u>				<u>\$16,901,179</u>	<u>\$823,963</u>	<u>\$29,887,391</u>	<u>\$47,612,533</u>

**Caseload Adjustments in the Executive Budget**

The executive request includes \$243.4 million including \$49.8 million general fund for present law/current level enrollment and service utilization increases. Figure 4 shows the adjustment by function, with Medicaid services grouped first. Medicaid services account for 86.1% of the total, while the remainder of services comprises 13.9% of the total. The caseload increases are partially offset by a reduction of \$15.1 million to remove one-time lawsuit settlement costs that

were recorded as Medicaid services costs (see the discussion of general fund appropriated for Medicaid services that was used for other purposes).

Figure 4

Function	Total Present Law Caseload Increases - 2015 Biennium								% of Biennial Total
	FY 2014 Executive Request				FY 2015 Executive Request				
	General Fund	State Special Revenue	Federal Funds	Total	General Fund	State Special Revenue	Federal Funds	Total	
<b>Medicaid Services</b>									
Physical Health	\$8,028,589	\$1,202,882	\$18,273,153	\$27,504,624	\$12,525,719	\$1,922,071	\$28,525,488	\$42,973,278	29.0%
Physical Health Federal	0	0	11,978,152	11,978,152	0	0	18,115,282	18,115,282	12.4%
Waiver Services Developmental Disabled	4,103,138	0	8,061,516	12,164,654	5,266,621	0	10,324,321	15,590,942	11.4%
HMK Medicaid CHIP Funded Group	0	2,022,077	6,535,170	8,557,247	0	3,624,219	11,706,657	15,330,876	9.8%
Children's Mental Health	3,024,142	0	4,508,699	7,532,841	4,571,317	0	6,446,581	11,017,898	7.6%
Home Based	1,981,872	0	3,893,824	5,875,696	2,915,585	0	5,715,514	8,631,099	6.0%
Federal Only Caseload Dev Dis	0	0	4,813,949	4,813,949	0	0	7,580,458	7,580,458	5.1%
Hospital Utilization Fee	0	1,349,987	2,652,347	4,002,334	0	1,351,988	2,650,346	4,002,334	3.3%
Adult Mental Health	821,267	74,611	1,760,149	2,656,027	1,263,675	113,336	2,699,398	4,076,409	2.8%
Medicare Buy-In	670,733	0	1,317,803	1,988,536	1,287,459	0	2,523,845	3,811,304	2.4%
Clawback	1,546,845	0	0	1,546,845	2,643,582	0	0	2,643,582	1.7%
Nursing Homes	192,064	0	377,353	569,417	181,542	0	355,884	537,426	0.5%
Senior/Disabled Waiver	130,615	0	256,622	387,237	130,809	0	256,428	387,237	0.3%
Federal Adult Mental Health	0	0	200,000	200,000	0	0	200,000	200,000	0.2%
Remove One-Time Lawsuit Settlements	<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	<u>-6.2%</u>
Subtotal Medicaid Services	<u>15,962,354</u>	<u>4,649,557</u>	<u>61,630,648</u>	<u>82,242,559</u>	<u>26,249,398</u>	<u>7,011,614</u>	<u>94,102,113</u>	<u>127,363,125</u>	86.1%
<b>Other Caseload Adjustments</b>									
HMK Caseload	1,689,730	936,338	8,487,215	11,113,283	2,613,601	889,886	11,316,681	14,820,168	10.7%
Subsidized Adoption Caseload	500,124	0	575,599	1,075,723	766,423	0	877,072	1,643,495	1.1%
Foster Care Caseload	729,288	0	176,017	905,305	1,088,638	0	143,751	1,232,389	0.9%
Child and Adult Care Food Program	0	0	600,000	600,000	0	0	1,016,000	1,016,000	0.7%
Big Sky RX Caseload	0	539,180	0	539,180	0	539,180	0	539,180	0.4%
Guardianship Caseload	<u>89,591</u>	<u>0</u>	<u>56,258</u>	<u>145,849</u>	<u>128,999</u>	<u>0</u>	<u>79,453</u>	<u>208,452</u>	<u>0.1%</u>
Subtotal Other Services	<u>3,008,733</u>	<u>1,475,518</u>	<u>9,895,089</u>	<u>14,379,340</u>	<u>4,597,661</u>	<u>1,429,066</u>	<u>13,432,957</u>	<u>19,459,684</u>	13.9%
Total All Caseload Adjustments	<u>18,971,087</u>	<u>6,125,075</u>	<u>71,525,737</u>	<u>96,621,899</u>	<u>30,847,059</u>	<u>8,440,680</u>	<u>107,535,070</u>	<u>146,822,809</u>	
Biennial Total	<u>\$49,818,146</u>	<u>\$14,565,755</u>	<u>\$179,060,807</u>	<u>\$243,444,708</u>					100.0%

### New Proposals

The cost of new proposals that would increase spending in addition to caseload adjustments is not included in Figure 4. Those proposals are:

- The 2% provider rate increase
- A refinancing of personal assistance services to draw down an enhanced federal match rate for community services
- A proposal to add additional services to the HMK CHIP benefit package

### General Fund Appropriated to Medicaid Services Used for Other Purposes

In FY 2012, DPHHS used \$9.1 million of general fund originally appropriated for Medicaid services costs for other purposes. Figure 5 shows the general fund Medicaid service appropriation and the amount that was used for other purposes.

Figure 5

Health Resources Medicaid Services General Fund Appropriations Used for Other Purposes - FY 2012			
Source of General Fund/Use of Funds	To Program	Amount	% of Tot
<u>Medicaid Managed Care Benefits</u>			
South Pointe Lawsuit Settlement		\$3,000,000	33.1%
Montana Developmental Center Repairs	10 MDC	600,000	6.6%
Purchase a Wandergard System & Congregate Meals Plan - Eastern Montana Veterans' Home	22 SLTC	397,097	4.4%
Food and Consumer Safety - Local Inspections	07 PHSD	57,178	0.6%
<u>Medicaid Acute Services &amp; Pharmacy</u>			
MMIS System, Operations, Personal Services, Centralize Managing/Purchasing of PC Fleet	09 Tech Servs	2,900,000	32.0%
<u>Medicaid Hospital Services</u>			
Blanton Lawsuit Settlement		1,536,911	17.0%
Nursing Care Center D Wing Expansion	33 AMDD	334,612	3.7%
Nursing Care Center Infirmary	33 AMDD	118,000	1.3%
Montana Zero to Three Project	03 CFSD	<u>110,000</u>	<u>1.2%</u>
Total General Fund Medicaid Services Appropriations Used for Other Purposes		<u>\$9,053,798</u>	100.0%
Total HRD General Fund FY 2012 Medicaid Services Appropriations		\$109,054,115	
% Used for Other Purposes			8.3%

The two largest amounts were used to fund lawsuit settlement costs. The first - \$3.0 million or 33% of the total – was used to settle the South Pointe lawsuit. District Court Judge Jeffrey M. Sherlock ordered the State of Montana to pay \$3.0 million to SBC Archway III, LLC to resolve a lawsuit that arose from the state's lease termination. The state's self-insurance policy does not provide for actions due to breach of contract. The court required the state to pay the judgment by May 1, 2013 or pay simple interest of 10% on the unpaid portion of the judgment going forward.

The second lawsuit – the Blanton lawsuit – will change the methodology that DPHHS uses to calculate lien and estate recoveries for Medicaid services. The old methodology resulted in DPHHS recovering payments in excess of Medicaid services costs.

The other uses of Medicaid general fund listed in Figure 5 were done through a transfer of Medicaid appropriation authority to other programs. All of the transfers were legal with the potential exception of the transfer of general fund appropriated for Medicaid services to support construction and remodeling costs of the nursing care center D wing expansion undertaken by the Architecture and Engineering Division of the Department of Administration. Statute allows appropriation authority to be transferred among state agencies only as long as the original purpose of the appropriation is maintained.

**LFD  
ISSUE**
Excess Medicaid Services Appropriation Authority in FY 2013

The DPPHS FY 2013 budget status report published December 15, 2012, projects that Medicaid services general fund expenditures will be \$11.7 million less than appropriations. The legislature may wish to consider whether it wishes part or all of the excess general fund appropriation authority to revert to the general fund. If the legislature wishes to insure reversion of a specified amount it could consider:

- Amending HB 2 that governs 2013 biennium appropriations by reducing specific Medicaid general fund appropriations or restricting the use of the appropriations
- Amending state statute to allow only a certain percent of state funds appropriated for Medicaid services to be used for other purposes
- Amending state statute to prohibit transfer of state funds appropriated for Medicaid services to other uses

### Sequestration

About two thirds of the 2015 biennium budget request for DPHHS is funded from federal funds, including categorical grants that could be subject to federal sequestration. Absent Congressional action, some of the federal funding that supports DPHHS programs could be reduced. Please note that under the current federal budget control statute Medicaid benefits would be exempt from reduction.

#### LFD ISSUE

#### Impact of Federal Sequestration

The legislature may wish to request that each DPHHS division present the following information as part of its presentation to the Health and Human Services Joint Appropriation Subcommittee:

- Name and use of grant subject to sequestration
- Amount of grant in executive budget each year
- Amount of potential reduction each year
- Impact of potential reduction
- Potential ways to partially or fully offset impact of reduction

### Patient Protection and Affordable Care Act

The Patient Protection and Affordable Care Act (ACA) passed in 2010 requires several changes to state Medicaid programs and allows states the option to expand Medicaid to nondisabled, non-pregnant adults between the ages of 19 to 64. This summary focuses on ACA provisions related to Medicaid and discusses:

- Required changes to the Montana Medicaid program:
  - Areas of potential state cost increases and cost offsets
  - Issues for legislative consideration
- Allowed, optional eligibility expansion:
  - Comparison of several estimates of potential number of persons who would be newly eligible
  - Summary of estimated costs for LC0900, the bill requested by the Governor to implement the expansion
  - Policy questions that the legislature may wish to consider

#### *ACA – Required Changes and Optional Change*

The U.S. Supreme Court upheld all but one provision of ACA. Therefore, most provisions will go into effect and will have an impact on the DPHHS budget in the 2015 biennium. The single provision the Court struck down was the requirement that states expand Medicaid eligibility to all nondisabled persons ages 19-64 with household incomes less than 138% of the federal poverty level or lose all federal Medicaid funding for current Medicaid programs. The expansion is now optional and the legislature must amend state statute to implement the expansion to 138% of the federal poverty level and provide appropriation authority for the new expenditures.

#### *Changes Required by ACA*

Several changes required by ACA will affect the Montana Medicaid program. Effective January 1, 2014, state Medicaid programs must implement the following changes:

- Raise Medicaid rates for primary care physicians to the Medicare rate
- Extend Medicaid eligibility for foster care children to age 26
  - Current state statute allows eligibility until age 21
- For nondisabled, non-pregnant adults aged 19 to 64:
  - Use modified adjusted gross income (MAGI) for Medicaid eligibility determination and apply a 5% income disregard
    - Currently eligibility determination includes a variety of income disregards, with some tied to specific costs such as child care
  - May not consider assets as a condition of eligibility
    - Current state Medicaid eligibility rules include consideration of assets (limit of \$3,000 for low-income working parents; no assets tests for eligibility for children)

These required changes would expand the number of adults eligible for Medicaid and would shift some children currently eligible for HMK/CHIP services to HMK Plus Medicaid services. The cost of services for new enrollees would be paid at the same rate as current Medicaid costs and subject to a state match rate of about 34% in the 2015 biennium.

In addition to required changes to Medicaid eligibility, ACA also implements reductions to Medicaid disproportionate share hospital payments (DSH). Federal Medicaid DSH funds provide reimbursement to hospitals that serve a proportionally higher number of low-income persons compared to other hospitals. These funds require a state match and are distributed in the same method as the additional hospital reimbursements funded through the hospital utilization fee (provider tax). The federal DSH payments will be gradually reduced.

Montana statute requires DPHHS to raise Medicaid physician rates based on a specific set of criteria, but increases must be no less than the consumer price index calculated by the U.S. Department of Labor.

#### *HB 2 Does Not Include Present Law Adjustments for Changes Required by ACA*

The executive recommendation for HB 2 funding does not include present law adjustments for Medicaid costs and funding reductions that are required by ACA with the possible exception of Medicare equivalent rates for primary care physicians. The following present law adjustments would be necessary to capture changes required by ACA:

- Estimated number and total Medicaid cost for new:
  - Foster care enrollees
  - Adult enrollees
- Estimated number and cost of children shifting from CHIP services to Medicaid services within the HMK
- Reduction in disproportionate share (DSH) hospital reimbursements
- Potentially, the impact of requirement to raise Medicaid rates for primary care physicians to the Medicare rate

There would be cost savings due to the change in Medicaid enrollment. Some persons who are receiving services that are fully funded from state revenues would become Medicaid eligible. A portion or all of the cost of their services could shift to Medicaid. Examples of state funded services that could see some reduction in costs due to required changes to Medicaid eligibility are:

- Adult mental health services such as Mental Health Services Plan (MHSP), 72 hour crisis stabilization
- Adult chemical dependency community services
- State facility services for the Montana Mental Health Nursing Care Center and the Montana Chemical Dependency Center
- Potentially some community medical costs for the Department of Corrections (explained later in the optional expansion discussion)

#### *Request for Information*

LFD staff requested information about the cost and potential savings due to the changes required by ACA. DPHHS provided the cost estimate of the Governor's proposal to expand Medicaid eligibility (discussed later). While some elements of the required ACA changes were included in the documentation (those for foster care children and children transitioning from CHIP to Medicaid services), there were notable gaps in the information including:

- The increased state cost for adults who would be newly eligible for Medicaid due to elimination of assets tests and the additional 5% income disregard
- The reduction in DSH payments
- The amount required to raise primary care physician Medicaid rates to the Medicare rate

The documentation provided by DPHHS identified savings in the Mental Health Services Plan and for some Medicaid services due to the Medicaid expansion. However, it is not possible to determine state funded program savings due to the required changes from the information provided by DPHHS, as the savings for the required changes would be much smaller than those estimated for the expansion.

*Eligibility Maintenance of Effort*

ACA includes a maintenance of effort (MOE) provision related to Medicaid and CHIP eligibility. A state that makes a change to eligibility standards, methodologies, or procedures that is more restrictive than those in effect as of the date of ACA passage would face a loss of federal Medicaid matching funds. The Medicaid eligibility MOE provision is effective until January 1, 2014 while the MOE for CHIP eligibility extends to September 30, 2019.

**LFD  
ISSUE**Legislative Options

The legislature can consider several options related to the required changes for ACA, including:

- Adding present law adjustments to HB 2 to account for required changes both for increased costs and potential cost reductions
- Considering eligibility changes that partially or fully offset required cost increases

If the legislature wishes to include present law adjustments related to ACA in HB 2, it may wish to request that DPHHS provide:

- An estimate of the number of new adult enrollees
- An estimate of the per person cost of a new adult enrollee
- The documentation supporting the per person cost estimate
- Potential savings to state funded services due to a shift to Medicaid funded services
- An estimate in the reduction of DSH payments
- An estimate of the reduction in certain Medicaid services with higher income eligibility including:
  - Breast and cervical cancer
  - Family planning
  - Pregnant women coverage

*Medicaid Eligibility Expansion*

The executive budget includes a recommendation to expand Medicaid for nondisabled persons up to age 64 with household incomes up to 138% of the federal poverty level. Funding for this optional expansion is included in the bill authorizing the changes (LC0900). This discussion about the proposed expansion explains:

- Legislative action necessary to implement the expansion
- Optional Medicaid expansion allowed by ACA
- Preliminary estimates of the number of persons newly eligible for Medicaid
- Potential areas of savings associated with the optional expansion
- Issues related to LC0900
- Options for legislative consideration

Optional Expansion Requires a Statutory Change and State Plan Amendment

Legislative legal staff has concluded that 53-6-131, MCA would need to be amended to authorize an expansion of Medicaid to all nondisabled, nonpregnant persons with household incomes below 138% of the federal poverty level. Therefore, if the legislature chose to expand Medicaid it would need to pass a bill to change that section of law and it would need to appropriate funding for the last half of FY 2014 and for FY 2015 for the increased cost of Medicaid services. Additionally, a state must amend its state Medicaid plan to implement the expansion.

If Montana were to implement this expansion the following changes would occur:

- Nondisabled childless adults ages 19 – 64 with incomes less than 138% of the federal poverty would become eligible for Medicaid
- Additional low-income parents would become eligible for Medicaid

*Federal Match Rate for Expansion and Cost to State*

If a state opts to expand Medicaid as allowed by ACA, it will receive 100% federal funding for those newly eligible beginning January 1, 2014 through December 31, 2016. After that, the federal match rate will gradually decline until it reaches 90% in 2020. States must pick up the balance of costs.

The cost of expanding Medicaid depends on a number of variables including:

- The number of people who would be newly eligible
- Take up rates, or how many eligible people enroll
- The services provided
- Rates paid to medical providers

*Number of People Eligible/Take Up Rates*

There are several estimates of the number of newly eligible people who would enroll under the proposed Medicaid expansion. As noted previously, enrollment depends on how many of those eligible would apply.

There is no public program that has a 100% take up or enrollment rate, especially when it is first starting. Medicare, which is universally available to all citizens reaching a certain age and which was started in 1965, has a take up or enrollment rate of 96%. The take up rate for a new program depends on a number of factors including the type and effectiveness of outreach efforts, the availability of enrollment sites, and the ease of enrollment.

*Services Provided – Benchmark Plan*

States may select from 1 of 4 types of health insurance coverage for services provided to the expansion population. The benchmark plans are:

- Federal employees health benefit plan equivalent coverage
- State employee coverage that is generally available to employees in the state
- Health maintenance organization (HMO) plan that has the largest insured commercial, non-Medicaid enrollment in the state
- Benchmark-equivalent coverage approved by the Secretary of the Department of Health and Human Services, which has an actuarial value equivalent to another benchmark package and includes the following types of services:
  - Inpatient and outpatient hospital service
  - Physicians' surgical and medical services
  - Laboratory and x-ray services
  - Well-baby and well-child care including age-appropriate immunizations
  - Emergency services
  - Family planning services and supplies
  - Other appropriate preventive services, as defined by the Secretary

*Montana Specific Questions – Optional Expansion*

As noted earlier, DPHHS provided a cost estimate supporting the appropriation request for LC0900, the bill to implement the optional Medicaid expansion. Some of the information that legislators may wish to consider in evaluating whether to expand Medicaid is included, such as:

- The number of newly eligible adults (estimated by DPHHS to be 44,702 in FY 2014 rising to 55,096 in FY 2015)
- Some of the expected savings in state programs such as the Mental Health Services Plan

However, there are certain components of the cost estimate that are difficult to determine based on the information provided such as:

- The estimated per person cost for the newly eligible persons and the assumptions used to develop that cost
- The assumed increase in medical services utilization from year to year
- The administrative costs attributable solely to the expansion, including the methodology used to estimate those costs

Legislators may wish to request the following information from DPHHS in order to more fully evaluate the impact of expanding Medicaid:

- An explanation of the benchmark plan used in the fiscal note assumptions for LC0900
- An estimate of the per person cost of other benchmark service plans considered (if available)
- An estimate of the number and cost of those who would be newly eligible by fiscal year through FY 2020
- An estimate of potential cost savings in other state programs whose enrollees would now be eligible for and served by Medicaid
- Concerns that DPHHS may have

Legislators may also wish to review estimates of the optional Medicaid expansion that are being prepared by the Montana Bureau of Business and Economic Research (BBER). Those estimates should be available by the start of the legislative session in January. Both DPHHS and BBER have longer term estimates that project what the state share of costs would be when the federal match rate begins to decline in 2017.

#### *Savings for Some State Programs*

Figure 6 shows Montana specific examples of state program savings that have been included by other states in their evaluation of whether to expand Medicaid, with the exception of potential savings for the Department of Corrections. Some states have included cost savings for the incarcerated corrections population when inmates receive inpatient hospital care in a community hospital. Legislative staff is researching this issue and will have more information for legislative consideration during the session.

**Figure 6**

General Fund Mental Health Services and Executive Estimate of Optional Medicaid Expansion Savings			
Program/Service	FY 2012	FY 2014	FY 2015
MHSP	\$5,552,252	\$5,727,996	\$5,552,607
72 Hour Crisis Services	1,445,551	1,445,551	1,445,551
Goal 189	372,550	656,420	940,290
Jail Diversion Secure Beds	<u>230,450</u>	<u>235,059</u>	<u>239,760</u>
Total	\$7,600,803	<u>\$8,065,026</u>	<u>\$8,178,208</u>
MHSP Savings LC0900 (Optional Medicaid Eligibility Expansion)		(\$3,508,615)	(\$5,470,786)

Figure 6 only includes general fund services. However, there would also be savings in some services that are funded with state special revenue including community chemical dependency services and potentially the state high risk pool administered by the State Auditor.

#### *Legislative Action With Respect to an Optional Medicaid Expansion*

Legislators may wish to consider the following actions based on their decision regarding the executive proposal to implement the optional Medicaid expansion under ACA. If legislators want to implement the expansion, they would need to pass legislation authorizing the expansion and structure appropriations to fund increased service costs.

However, if legislators do not want to expand Medicaid, they may wish to take actions to ensure that their policy goals are clear in statute. Legislators may wish to enact specific legislation to prohibit an optional expansion as allowed by ACA or to restrict the use of DPHHS appropriations in HB 2 to prevent expenditures for an expansion.

#### **State Facility Inflation**

DPHHS manages six state facilities. Each of the state facilities includes a present law adjustment for inflation in operating costs in addition to the inflation that is included in fixed cost adjustments for all state agency budgets. However, each of the requests uses different inflation rates and inflates different costs.

**LFD  
ISSUE**

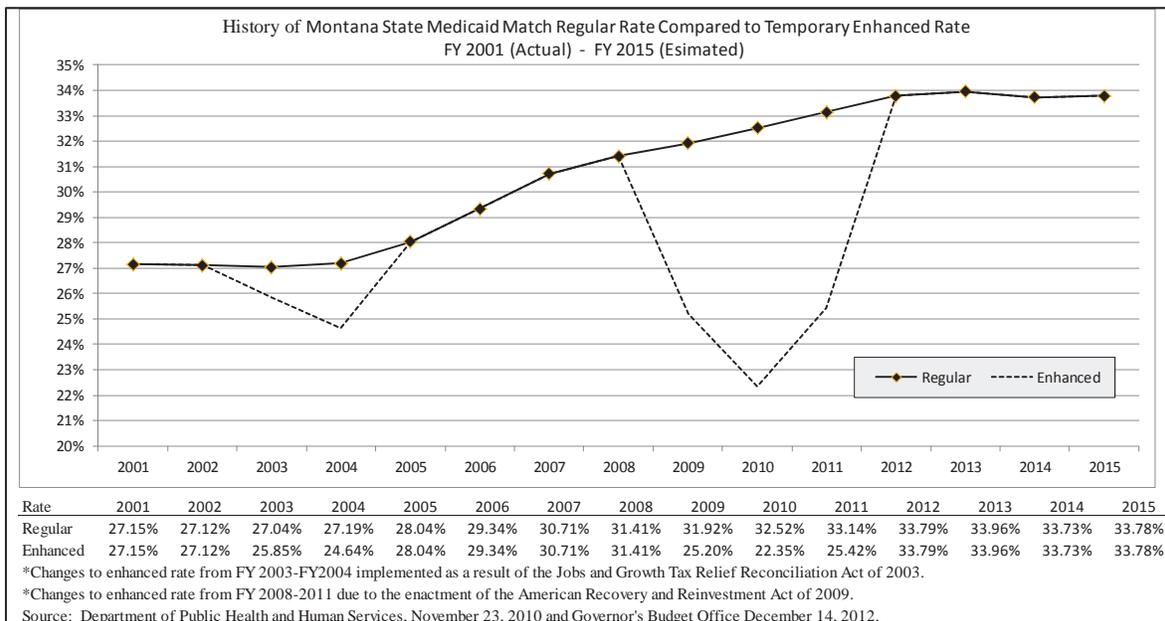
Legislative Review of Facility Inflation

The legislature may wish to ask DPHHS to explain why the inflation rates are different and, if there is not a specific reason for a difference, decide whether to apply uniform inflation rates if it approves the requests.

**Medicaid Match Rates**

Figure 7 shows historic and projected Medicaid state match rates for the cost of most Medicaid services (some services are 100% federally funded, one is 100% general fund, and a few others have an enhanced match). State Medicaid match rates are based on a formula that compares changes in state per capita income compared to changes in national per capita income. As a state’s per capita improves in relationship to the national per capita income, the state match rate goes up and the federal match rate goes down. There have been two times in since 2001 that the federal government has authorized a temporary increase in the federal match rate, both during recessionary time periods.

**Figure 7**



The executive budget is based on a state Medicaid match rate reduction compared to the rate in the base budget year. The actual and projected match rates are:

- FY 2012 - 33.79%
- FY 2013 – 33.96%
- FY 2014 – 33.73%
- FY 2015 (projected) – 33.78%

**LFD  
ISSUE**

State Match Rates Vary from Budget Documentation

Figure 8 shows the match rate for some of the Medicaid services included in the executive request. Some of the match rates are different than the documentation provided in support of the executive budget request. LFD staff will work with DPHHS staff to determine whether there are non Medicaid costs included with the Medicaid services budget requests that affect the state match rate. If not, the legislature may wish to request that match rates be updated as part of the legislative action on Medicaid services requests.

**Figure 8**

Effective State Match Rates in Executive Budget Compared to Published Match		
Division/Service	FY 2014	FY 2015
Executive Budget Published Match	33.73%	33.78%
<u>Health Resources</u>		
Hospital Services	33.75%	33.79%
Managed Care	33.74%	33.79%
<u>Senior and Long Term Care</u>		
Nursing Home	33.70%	33.75%
<u>Developmental Services</u>		
DD Comprehensive Waiver	33.72%	33.77%
Children's Mental Health	34.31%	34.72%
DD Targeted Case Management	34.32%	34.77%
DD Community Srvs Waiver	33.88%	33.93%
Autism Waiver	33.87%	33.92%
<u>Addictive and Mental Disorders</u>		
Adult Mental Health	34.11%	34.45%
HIFA Waiver	31.65%	32.13%
Community Waiver Services	31.93%	31.93%
Chemical Dependency	31.94%	31.12%

**Agency Funding**

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

Total Public Health and Human Services Funding by Source of Authority 2015 Biennium Budget			
Funds	HB 2	Total All Sources	% Total All Funds
General Fund	\$907,752,875	\$907,752,875	26.0%
State Special Total	309,399,277	309,399,277	8.8%
Federal Special Total	2,279,314,190	2,279,314,190	65.2%
Total All Funds	<u>\$3,496,466,342</u>	<u>\$3,496,466,342</u>	100.0%
Percent - Total All Sources	100.0%		

DPHHS is funded by general fund, state special revenue, and federal funds.

*Major Sources of State Special Revenue*

There are three sources of state special revenue that support multiple programs in DPHHS as well as programs administered by the State Auditor. All were enacted by citizen initiative:

- Tobacco settlement funds
- Interest from the tobacco settlement trust fund
- Health and Medicaid initiatives account – tobacco and cigarette taxes

The projected fund balance over the 2015 biennium for each of these accounts is summarized. Issues related to the account are also discussed.

#### The Use of Tobacco Settlement Proceeds

Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with several tobacco companies. The MSA places no restrictions on how states are to spend the money. The Montana voters approved:

- Constitutional Amendment 35 in November 2000 requiring not less than 40% of tobacco settlement money to go to a permanent tobacco trust fund
- Initiative 146 (17-6-606, MCA) to allocate 32% of the total tobacco settlement funds to tobacco prevention/cessation programs and 17% to CHIP supporting HMK and the Montana Comprehensive Health Association (MCHA), a state funded high risk insurance pool

Money not appropriated within two years is transferred to the trust fund. The remaining 11% of the MSA money is deposited to the general fund.

Figure 9 shows revenues, expenditures, appropriations, and fund balances for the interest from the tobacco settlement trust fund. There is a single increase - \$2.3 million - in expenditures from this account in the executive budget to fund present law caseload growth for Medicaid hospital and clinic services. There is a projected ending fund balance of about \$400,000 that could be used to offset general fund costs depending on legislative action.

Figure 9

Tobacco Settlement Trust Fund Interest - Fund Balance					
Fund Balance, Revenues, Expenditures	Actual FY 2012	Appropriated FY 2013	Budget Request		Biennial % of Ttl
			FY 2014	FY 2015	
Beginning Fund Balance	\$13,363	\$16,258	\$1,147,645	\$798,866	
Revenues*	<u>6,030,990</u>	<u>6,143,000</u>	<u>6,575,000</u>	<u>7,072,000</u>	
Revenues Available for Appropriation	6,044,353	6,159,258	7,722,645	7,870,866	
Expenditures					
Health Resources Division					
Medicaid Acute Services	2,304,649	1,245,757	2,304,649	2,304,649	32.0%
Medicaid Hospital & Clinical Services	<u>543,647</u>	<u>543,647</u>	<u>1,428,671</u>	<u>1,972,163</u>	<u>23.6%</u>
Health Resources Division Subtotal	2,848,296	1,789,404	3,733,320	4,276,812	55.7%
Public Health and Safety Division					
Adolescent Vaccinations	400,000	400,000	400,000	400,000	5.6%
Children's Special Health Services	240,542	284,708	240,247	240,235	3.3%
Emergency Medical Services	119,889	122,288	119,889	119,889	1.7%
HIV Treatment	84,000	84,000	84,000	84,000	1.2%
Montana Health Professional Recruitment	75,000	75,000	75,000	75,000	1.0%
WIC Farmer's Market	9,000	9,732	9,000	9,000	0.1%
PHSD Cost Allocation**	13,538	16,029	14,215	14,926	0.2%
Genetics	<u>41,176</u>	<u>0</u>	<u>41,462</u>	<u>41,176</u>	<u>0.6%</u>
Public Health and Safety Division Subtotal	983,145	991,757	983,813	984,226	13.7%
Senior and Long Term Care Division					
Medicaid Nursing Home Services	831,850	831,850	831,850	831,850	11.6%
Traumatic Brain Injury Services	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0.7%</u>
Healthcare for Healthcare Workers	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Senior and Long Term Care Div. Subtotal	881,850	881,850	881,850	881,850	12.3%
Developmental Services Division					
Medicaid Children's Mental Health Service:	233,552	233,552	233,552	233,552	3.2%
DD Part C, Title XX and MOE	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>8.3%</u>
Developmental Division Subtotal	833,552	833,552	833,552	833,552	11.6%
Addictive and Mental Disorders Division					
Mental Health Community Support	415,511	429,468	415,511	415,511	5.8%
Adult Mental Health Medicaid Benefits	27,659	27,659	27,659	27,659	0.4%
Mental Health Administration	<u>48,074</u>	<u>57,923</u>	<u>48,074</u>	<u>48,074</u>	<u>0.7%</u>
Addictive and Mental Disorders Div. Subtotal	<u>491,244</u>	<u>515,050</u>	<u>491,244</u>	<u>491,244</u>	<u>6.8%</u>
Total Expenditures	<u>6,038,087</u>	<u>5,011,613</u>	<u>6,923,779</u>	<u>7,467,684</u>	100.0%
Adjustments	<u>9,992</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Ending Fund Balance	<u>\$16,258</u>	<u>\$1,147,645</u>	<u>\$798,866</u>	<u>\$403,182</u>	

\*90% of the trust interest may be appropriated and 10% is deposited to the trust corpus. Revenues are based on LFD staff assumptions presented to the Revenue and Transportation Oversight Committee on November 19, 2012.  
\*\* Nonbudgeted expenditures

**LFD  
ISSUE**
Use of Account Proceeds for Current Level Services

Use of tobacco settlement trust fund interest for current level services may be an illegal use of these funds. The issue is discussed in the Health Resources Division budget analysis.

Tobacco Settlement Account

Figure 10 shows the state special revenue account that receives a direct allocation of tobacco settlement funds. There is a \$3.7 million projected ending fund balance in the portion of the account that receives 32% of the proceeds. Statute governing the account limits its use to tobacco control and prevention, including prevention of chronic diseases related to tobacco use.

Figure 10

Tobacco Settlement Account - Fund Balance					
Master Settlement Agreement Payment Allocations to State Special Revenue Accounts					
Allocation of Revenue, Expenditures, and Fund Balance	Actual FY 2012	Appropriated FY 2013	Budget Request FY 2014	FY 2015	Biennial % of Ttl
<b>32% Allocated to Tobacco Cessation/Prevention</b>					
Beginning Fund Balance	\$188,713	\$1,615,766	\$3,535,901	\$2,941,528	
Revenues*	<u>9,664,875</u>	<u>10,333,000</u>	<u>10,238,000</u>	<u>10,140,000</u>	
Total Available for Appropriation	9,853,588	11,948,766	13,773,901	13,081,528	
Expenditures					
Department of Revenue	301,974	303,271	318,989	318,557	3.2%
Department of Justice	111,045	123,972	118,272	118,564	1.2%
Public Health and Safety Division					
Tobacco Control & Prevention	3,997,104	4,000,000	6,163,409	4,724,708	53.8%
Chronic Disease Programs	2,617,360	2,617,456	2,967,969	2,974,256	29.4%
Home Health Visiting/MIAMI	403,736	404,036	404,012	403,971	4.0%
Tribal Programs	689,554	698,910	720,000	720,000	7.1%
Hospital Discharge	130,313	132,151	0	0	0.0%
Cost Allocated Administration**	<u>126,732</u>	<u>133,069</u>	<u>139,722</u>	<u>146,708</u>	<u>1.4%</u>
Subtotal Expenditures	<u>8,377,818</u>	<u>8,412,865</u>	<u>10,832,373</u>	<u>9,406,764</u>	<u>100.0%</u>
Adjustments	<u>139,996</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		0.4%	28.8%	-13.2%	
Ending Fund Balance	<u>\$1,615,766</u>	<u>\$3,535,901</u>	<u>\$2,941,528</u>	<u>\$3,674,764</u>	
<b>17% Allocated to HMK/MT Comprehensive Health Association</b>					
Beginning Fund Balance	\$0	\$0	\$257,255	\$628,453	
Revenues*	<u>5,134,465</u>	<u>5,489,000</u>	<u>5,439,000</u>	<u>5,387,000</u>	
Revenues Available for Appropriation	5,134,465	5,489,000	5,696,255	6,015,453	
Expenditures					
Healthy Montana Kids Benefits	3,654,168	3,807,867	3,632,791	3,634,403	71.5%
Healthy Montana Kids Administration	51,577	60,349	69,121	74,449	1.4%
MT Comprehensive Health Assoc.	925,563	925,563	946,455	943,696	18.6%
DPHHS Cost Allocated Administration**	<u>399,462</u>	<u>437,966</u>	<u>419,435</u>	<u>440,407</u>	<u>8.5%</u>
Subtotal Expenditures	<u>5,030,770</u>	<u>5,231,745</u>	<u>5,067,802</u>	<u>5,092,955</u>	<u>100.0%</u>
Adjustments	<u>(103,695)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		4.0%	-3.1%	0.5%	
Ending Fund Balance	<u>\$0</u>	<u>\$257,255</u>	<u>\$628,453</u>	<u>\$922,498</u>	
* Revenues developed by LFD staff and presented to the Revenue and Transportation Interim Committee on November 19, 2012.					
**Nonbudgeted expenditures that are allocated across funding sources to support shared administrative costs.					

**LFD  
ISSUE**Use of Funds

The legislature may wish to ask DPHHS to identify areas in the executive budget funded from general fund that could be funded from the tobacco settlement funds allocated to tobacco prevention and control.

The 17% of tobacco settlement funds allocated to HMK and the Montana Comprehensive Association also has an ending fund balance of about \$900,000. Funds in the 17% allocation can only be used to fund HMK and the Montana Comprehensive Association (MCHA).

**LFD  
ISSUE**Use of Excess Fund Balance

The legislature can use the excess fund balance in the tobacco settlement account to fund increased enrollment costs in the HMK/CHIP program. That action would free up funds in the HMK state special revenue account that could then be used to offset general fund costs for the children in households with incomes up to 100% of the federal poverty level.

The legislature may also wish to consider the future of the MCHA. As of January 1, 2014 persons will be able to purchase health insurance on the online exchanges subject to guaranteed issue, meaning that persons will not be denied coverage due to preexisting conditions.

Health and Medicaid Initiatives

The health and Medicaid initiatives account was established by voter initiative, which raised tobacco taxes and cigarette taxes by \$1 per pack. Uses for the account are established in statute and fund Medicaid, Healthy Montana Kids, Big Sky Rx, and the Insure Montana program (premium assistance and tax credits for small employers who provide group health coverage for their employees). The Insure Montana program is administered by the State Auditor's Office. Figure 11 shows the projected account balance.

Figure 11

Health and Medicaid Initiatives Fund Balance - 2013 Biennium Compared to 2015 Biennium Request Including Elected Official Proposals Tobacco Tax Revenue Dedicated to Health Initiatives					
Fund Balance	Actual	Estimated	Budget Request		% of
Revenue/Expenditures/Elected Official Request	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Fund Balance	\$29,199,806	\$23,070,266	\$10,148,571	\$3,074,737	8.1%
Revenue - Cigarette and Tobacco Tax*	37,383,560	36,580,000	35,927,000	35,105,000	91.9%
Transfer from Older Montanans' Trust (HB 604)	<u>3,166,502</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Total Revenue	69,749,868	59,650,266	46,075,571	38,179,737	100%
Interest Earnings	<u>638,211</u>	<u>59,650</u>	<u>92,151</u>	<u>190,899</u>	
Total Funds Available	70,388,079	59,709,917	46,167,722	38,370,636	
<b>Expenditures</b>					
<u>Medicaid Services</u>					
State Plan Services - Hospitals, Physicians, Prescription Drugs, Dental**	7,869,907	8,058,130	7,869,907	7,869,907	20.6%
Nursing Home Services	5,746,948	6,844,244	5,746,948	5,746,948	15.0%
HIFA Waiver - Adult Mental Health Services	2,402,403	1,843,997	3,918,397	3,965,871	10.4%
Senior/Physically Disabled Waiver	3,092,008	3,476,576	3,092,008	3,092,008	8.1%
Developmental Disability Benefits	2,942,130	2,942,130	2,942,130	2,942,130	7.7%
Mental Health and Chemical Dependency	2,045,955	2,055,711	2,045,955	2,045,955	5.3%
Home-based Services	1,857,206	2,106,888	1,857,206	1,857,206	4.9%
Children's Mental Health Services	1,741,003	1,741,003	1,741,003	1,741,003	4.5%
Adult Mental Health Community Svcs Waiver	1,090,044	1,035,744	1,222,624	1,237,560	3.2%
<u>Other Programs</u>					
Insure Montana Premium Assistance***	7,274,373	6,298,152	3,622,283	(64,037)	-0.2%
Insure Montana Health Insurance Tax Credits**	2,917,736	4,159,099	1,498,190	64,037	0.2%
Big Sky Rx/PharmAssist	4,268,759	4,003,223	4,283,303	4,282,634	11.2%
Healthy Montana Kids/CHIP	3,453,921	3,403,921	3,453,921	3,453,921	9.0%
Insure Montana 95% Restriction/Other Adj.***	523,248	(522,863)	(256,024)	0	0.0%
Mental Health Services Plan	0	2,060,256	0	0	0.0%
Other Services/Administration	<u>92,172</u>	<u>55,134</u>	<u>55,134</u>	<u>55,134</u>	<u>0.1%</u>
Subtotal Expenditures	<u>47,317,813</u>	<u>49,561,345</u>	<u>43,092,985</u>	<u>38,290,277</u>	100.0%
Annual Change	2.4%	4.7%	-13.1%	-11.1%	
Ending Fund Balance	<u>\$23,070,266</u>	<u>\$10,148,571</u>	<u>\$3,074,737</u>	<u>\$80,359</u>	
<u>State Auditor Elected Official Requests</u>					
Reinstate Base Level Funding for Insure Montana			\$5,090,001	\$10,206,715	
Restore 5% Spending Restriction			<u>156,181</u>	<u>156,181</u>	
Subtotal Elected Official Requests			<u>\$5,246,182</u>	<u>\$10,362,896</u>	
Ending Fund Balance With Elected Official Requests***			<u>(\$2,171,445)</u>	<u>(\$13,357,274)</u>	

\*Revenue based on estimates developed by LFD staff and presented to the Revenue and Transportation on November 19, 2012.

\*\*FY 2013 estimated costs are based on HB 2 appropriations.

\*\*\*Insure Montana is eliminated in the Governor's budget. However, the State Auditor has requested continuation and expansion of the program in elected official budget proposals. The Insure Montana 95% Restriction/Other Adjustments account for the 95% statutory spending restriction from Insure Montana appropriations. In the base year, more is transferred to the Insure Montana appropriations than can be expended. In other years, the negative amounts account for the statutorily required reversion from the full appropriation.

The executive budget includes a recommendation to eliminate funding for the Insure Montana program administered by the State Auditor's Office, which results in a positive ending balance. However, the State Auditor has requested that the program continue. Including the elected office request results in the account being overdrawn by \$13.4 million at the end of the biennium. The issues related to the Insure Montana program are discussed in the State Auditor budget analysis in the General Government section of the LFD budget analysis.

The executive budget for DPHHS includes \$3.5 million in increases from the health and Medicaid initiatives account:

- o \$3.1 million to annualize the enrollment increases for the mental health HIFA waiver
- o \$0.4 million for the mental health home and community based waiver

**LFD  
COMMENT**

The Health and Human Services Joint Appropriation Subcommittee may wish to have a joint meeting with the General Government Joint Appropriation Subcommittee to discuss appropriations from this account. If the legislature wishes to continue the Insure Montana program it can consider options such as reducing expenditures in other categories funded from the account or increasing revenues.

*Children and Families Interim Committee (SJR 30 Study)*

Two bills have been proposed in response to the Senate Joint Resolution 30 Study of Childhood Trauma that if passed would:

- Create an Office of Child and Family Ombudsman and appropriate \$250,000 general fund to the Department of Justice for the biennium. Click to access the bill draft: LCCF04
- Seek Accreditation of Child Protective Services and appropriate \$100,000 general fund to DPHHS for Children and Family Services. Click to access the bill draft: LCCF05

Other proposed legislation includes:

- Authorizing DPHHS to share limited information about an investigation into a report of child abuse or neglect with a mandatory reporter. (presently LC0313.01)
- Appropriating general fund to the DPHHS for FY 2013 for provider rate payments
- Appropriating \$20,000 general fund to the office of public instruction (OPI) each year of the biennium to support grants for new school breakfast programs and \$150,000 general fund to OPI each year of the biennium for reduced-price meals served in a school breakfast program. Both programs would begin July 1, 2013.
- Appropriating \$250,000 of TANF funds to DPHHS for grants to provide children with nutritious food and alleviate childhood hunger.
- Creating a pilot project to reimburse certain Medicaid provider based on performance, creating a "pay-for-performance task force, and pay-for-performance model
- Providing an increase in the amount of recoverable damages and attorney fees relating to the malicious destruction of property by minors
- Revising the fetal, infant, and child mortality act to allow for review of maternal mortality
- Creating a jail suicide prevention program in DPHHS
- Removing obsolete statutory language regarding county government offices and the state offices of public assistance
- Revising involuntary commitment and emergency detention laws
- Revising 72-hour presumptive eligibility requirements for crisis stabilization
- Increasing reimbursement rates for children's medicaid mental health services
- Creating advisory committee on cost-base medicaid mental health rate reimbursement
- Providing for licensure and regulation of mental health peer support specialists
- Revise criminal justice system laws related to mental illnesses

*Agency-wide Leases*

The lease amounts are shown in the figure on the following page with square footage by program. In FY 2012 total expenditures on leases were \$6.3 million. 70% of the square footage and total expense are incurred in the following cities. The percent of total cost is in parenthesis.

- Helena (25.4%)
- Billings (13.4%)
- Missoula (12.6%)
- Butte (10.2%)
- Great Falls (8%)

Agency-Wide Leases					
Program	Square Feet	2012 Lease Amount	2014 Projected Lease Amount	2015 Projected Lease Amount	FY 2012 Amount by Square Foot
Human and Community Services	\$161,356	\$2,186,032	\$2,462,759	\$2,481,398	\$13.55
Child and Family Services	140,235	1,982,926	2,027,194	2,073,290	14.14
Child Support Enforcement	47,967	707,058	731,820	747,121	14.74
Addictive and Mental Disorders	52,532	553,388	686,089	695,084	10.53
Senior and Long Term Care	24,108	411,626	416,441	424,169	17.07
Disability Services Division	51,734	287,477	305,384	318,109	5.56
Technology Services Division	<u>13,752</u>	<u>198,778</u>	<u>237,767</u>	<u>241,370</u>	<u>14.45</u>
<b>Total</b>	<b>\$491,684</b>	<b>\$6,327,284</b>	<b>\$6,867,454</b>	<b>\$6,980,541</b>	<b>\$12.87</b>

**2012 Federal Poverty Level**

Figure 12 shows the federal poverty level for 2012 and various levels of poverty.

**Figure 12**

2012 Federal Poverty Index													
Levels of Poverty by Family Size													
Family Size	Percent of FPL 2012												
	30%	33%	40%	100%	133%	138%	150%	175%	185%	200%	250%	300%	350%
1	\$3,351	\$3,686	\$4,468	\$11,170	\$14,856	\$20,501	\$16,755	\$19,548	\$20,665	\$22,340	\$27,925	\$33,510	\$39,095
2	\$4,539	\$4,993	\$6,052	\$15,130	\$20,123	\$27,770	\$22,695	\$26,478	\$27,991	\$30,260	\$37,825	\$45,390	\$52,955
3	\$5,727	\$6,300	\$7,636	\$19,090	\$25,390	\$35,038	\$28,635	\$33,408	\$35,317	\$38,180	\$47,725	\$57,270	\$66,815
4	\$6,915	\$7,607	\$9,220	\$23,050	\$30,657	\$42,306	\$34,575	\$40,338	\$42,643	\$46,100	\$57,625	\$69,150	\$80,675
5	\$8,103	\$8,913	\$10,804	\$27,010	\$35,923	\$49,574	\$40,515	\$47,268	\$49,969	\$54,020	\$67,525	\$81,030	\$94,535
6	\$9,291	\$10,220	\$12,388	\$30,970	\$41,190	\$56,842	\$46,455	\$54,198	\$57,295	\$61,940	\$77,425	\$92,910	\$108,395
7	\$10,479	\$11,527	\$13,972	\$34,930	\$46,457	\$64,111	\$52,395	\$61,128	\$64,621	\$69,860	\$87,325	\$104,790	\$122,255
8	\$11,667	\$12,834	\$15,556	\$38,890	\$51,724	\$71,379	\$58,335	\$68,058	\$71,947	\$77,780	\$97,225	\$116,670	\$136,115

Family Size	Monthly Earnings 2012 FPL												
	30%	33%	40%	100%	133%	138%	150%	175%	185%	200%	250%	300%	350%
1	\$279	\$307	\$372	\$931	\$1,238	\$1,708	\$1,396	\$1,629	\$1,722	\$1,862	\$2,327	\$2,793	\$3,258
2	\$378	\$416	\$504	\$1,261	\$1,677	\$2,314	\$1,891	\$2,206	\$2,333	\$2,522	\$3,152	\$3,783	\$4,413
3	\$477	\$525	\$636	\$1,591	\$2,116	\$2,920	\$2,386	\$2,784	\$2,943	\$3,182	\$3,977	\$4,773	\$5,568
4	\$576	\$634	\$768	\$1,921	\$2,555	\$3,525	\$2,881	\$3,361	\$3,554	\$3,842	\$4,802	\$5,763	\$6,723
5	\$675	\$743	\$900	\$2,251	\$2,994	\$4,131	\$3,376	\$3,939	\$4,164	\$4,502	\$5,627	\$6,753	\$7,878
6	\$774	\$852	\$1,032	\$2,581	\$3,433	\$4,737	\$3,871	\$4,516	\$4,775	\$5,162	\$6,452	\$7,743	\$9,033
7	\$873	\$961	\$1,164	\$2,911	\$3,871	\$5,343	\$4,366	\$5,094	\$5,385	\$5,822	\$7,277	\$8,733	\$10,188
8	\$972	\$1,069	\$1,296	\$3,241	\$4,310	\$5,948	\$4,861	\$5,671	\$5,996	\$6,482	\$8,102	\$9,723	\$11,343

Total Economic Security Services Branch Funding by Source of Authority  
2015 Biennium Budget

Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$156,067,562	\$0	\$0	\$156,067,562	30.9%
State Special Total	\$13,730,029	\$0	\$182,462	\$13,912,491	2.8%
02089 Child Abuse & Neglect Program	\$300,194	\$0	\$0	\$300,194	0.1%
02159 Handicapped Telecommunications	\$1,894,599	\$0	\$0	\$1,894,599	0.4%
02187 Child Support State Share	\$1,643,923	\$0	\$0	\$1,643,923	0.3%
02209 Third Party Contributions-f.c.	\$3,860,262	\$0	\$0	\$3,860,262	0.8%
02375 6901-02 Indrct Activty Prog 02	\$3,187,198	\$0	\$0	\$3,187,198	0.6%
02434 02 Indirect Activity Prog 01	\$83,533	\$0	\$0	\$83,533	0.0%
02473 Assault Intervention & Trtmnt	\$196,444	\$0	\$0	\$196,444	0.0%
02483 Adoption Services / Sa	\$0	\$0	\$182,462	\$182,462	0.0%
02496 Family Preservation Conference	\$17,400	\$0	\$0	\$17,400	0.0%
02688 6901-tanf Overpayments	\$130,000	\$0	\$0	\$130,000	0.0%
02698 69010-prevention&stabilization	\$1,665,164	\$0	\$0	\$1,665,164	0.3%
02772 Tobacco Hlth & Medicd Initiative	\$58,898	\$0	\$0	\$58,898	0.0%
02974 Univ Low Income Energy Assistance	\$692,414	\$0	\$0	\$692,414	0.1%
Federal Special Total	\$334,979,501	\$0	\$0	\$334,979,501	66.3%
03024 Soc Sec - Trust Funds	\$3,026,962	\$0	\$0	\$3,026,962	0.6%
03066 81.042 Bpa	\$992,560	\$0	\$0	\$992,560	0.2%
03096 Discretionary Child Care	\$27,409,047	\$0	\$0	\$27,409,047	5.4%
03109 Tanf Benefits	\$56,088,836	\$0	\$0	\$56,088,836	11.1%
03135 Hopwa Help Plus	\$970,718	\$0	\$0	\$970,718	0.2%
03168 Cacfp Child Care Wellness	\$22,575,473	\$0	\$0	\$22,575,473	4.5%
03224 Access & Visitation Grt 93.597	\$196,490	\$0	\$0	\$196,490	0.0%
03236 Child Nutrition	\$1,559,046	\$0	\$0	\$1,559,046	0.3%
03250 Child Care Manditory/moe	\$4,504,312	\$0	\$0	\$4,504,312	0.9%
03251 Child Care Admin	\$847,140	\$0	\$0	\$847,140	0.2%
03252 Child Care Matching	\$9,579,444	\$0	\$0	\$9,579,444	1.9%
03269 Child Support Incentive	\$2,263,632	\$0	\$0	\$2,263,632	0.4%
03299 Support Pregnant & Parent Teen	\$11,897	\$0	\$0	\$11,897	0.0%
03365 03 Indirect Activity Prog 01	\$612,573	\$0	\$0	\$612,573	0.1%
03382 03 Indirect Activity Prog 02	\$27,542,928	\$0	\$0	\$27,542,928	5.5%
03448 6901-early Childhood Comp Sys	\$284,893	\$0	\$0	\$284,893	0.1%
03458 6901 - Chafee - Ertv 93.599	\$338,198	\$0	\$0	\$338,198	0.1%
03467 6901-homeless Mgmt Info System	\$132,612	\$0	\$0	\$132,612	0.0%
03519 93.045 - Aging Meals 100%	\$90,100	\$0	\$0	\$90,100	0.0%
03522 93.556 - Family Preservation	\$1,898,994	\$0	\$0	\$1,898,994	0.4%
03523 93.566 - Refugee Soc. Serv	\$155,000	\$0	\$0	\$155,000	0.0%
03526 93.643 - Child Justice	\$197,230	\$0	\$0	\$197,230	0.0%
03529 Iv-e Guardianship	\$833,360	\$0	\$0	\$833,360	0.2%
03530 6901-foster Care 93.658	\$16,253,646	\$0	\$0	\$16,253,646	3.2%
03531 6901-subsidized Adopt 93.659	\$15,581,219	\$0	\$0	\$15,581,219	3.1%
03532 93.669 - Child Abuse	\$329,305	\$0	\$0	\$329,305	0.1%
03533 93.671 - Domestic Violence	\$1,695,410	\$0	\$0	\$1,695,410	0.3%
03534 93.672 - Child Abuse Challenge	\$336,500	\$0	\$0	\$336,500	0.1%
03536 93.674 - Iv-e Independent Livi	\$901,030	\$0	\$0	\$901,030	0.2%
03539 93.600 Headstart	\$224,232	\$0	\$0	\$224,232	0.0%
03544 10.561 - Fs E & T - 50%	\$414,583	\$0	\$0	\$414,583	0.1%
03545 10.561 - Fs E & T - 100%	\$584,036	\$0	\$0	\$584,036	0.1%

03546 10.561 - Fs Adm - Fed Exp 50%	\$2,066,908	\$0	\$0	\$2,066,908	0.4%
03547 10.568 - Emerg Food Assist 100	\$332,090	\$0	\$0	\$332,090	0.1%
03548 10.569 - Food Distr - Fed Exp	\$4,184,271	\$0	\$0	\$4,184,271	0.8%
03550 14.231 - Emerg Shelter - Hud 5	\$1,446,322	\$0	\$0	\$1,446,322	0.3%
03552 81.042 - Weather Ben 100%	\$4,111,536	\$0	\$0	\$4,111,536	0.8%
03554 84.169 - Independent Living 90	\$556,942	\$0	\$0	\$556,942	0.1%
03555 84.177 - Indep Living Old Blin	\$473,370	\$0	\$0	\$473,370	0.1%
03557 84.187 - Vic Sup Employment	\$687,490	\$0	\$0	\$687,490	0.1%
03558 84.224 - Mon Tech 100%	\$878,872	\$0	\$0	\$878,872	0.2%
03559 84.265 - In Service Training 9	\$35,562	\$0	\$0	\$35,562	0.0%
03570 93.563 - Child Support Ivd 66%	\$13,482,041	\$0	\$0	\$13,482,041	2.7%
03571 93.566 - Off Ref Reset Adm 10	\$25,000	\$0	\$0	\$25,000	0.0%
03572 93.568 - Lieap Blk Grt Adm	\$47,204,349	\$0	\$0	\$47,204,349	9.3%
03573 93.569 - Csbg Adm	\$6,050,494	\$0	\$0	\$6,050,494	1.2%
03580 6901-93.778 - Med Adm 50%	\$406,586	\$0	\$0	\$406,586	0.1%
03588 93.802 - Disabil Deter Adm 100	\$10,694,930	\$0	\$0	\$10,694,930	2.1%
03593 03 Indirect Activity Prog 03	\$15,836,511	\$0	\$0	\$15,836,511	3.1%
03604 84.126 - Rehab-sec110 A 78.7%	\$26,048,431	\$0	\$0	\$26,048,431	5.2%
03677 6901-cacfp 10.558 & 10.560	\$65,026	\$0	\$0	\$65,026	0.0%
03679 6901-hopwa Cfda#14-241	\$951,048	\$0	\$0	\$951,048	0.2%
03965 Csfp	\$1,010,316	\$0	\$0	\$1,010,316	0.2%
<b>Total All Funds</b>	<b>\$504,777,092</b>	<b>\$0</b>	<b>\$182,462</b>	<b>\$504,959,554</b>	<b>100.0%</b>
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>		

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME: 69010-DPHHS, Disability Employment and Transitions**

		<b>Minimum Requirement</b>	
		<b>General Fund</b>	<b>State Special Revenue Fund</b>
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 151,695	\$ 46,172
		<b>General Fund Annual Reductions</b>	<b>State Special Revenue Annual Reductions</b>
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
1	Eliminate the Visual Services Medical program	\$ 87,705	
2	Reduction of Extended Employment GF by 5%	\$ 63,990	
3	Reduction of MTAP Outreach and Equipment		\$ 46,172
4			
5			
6			
7			
8			
9			
10			
	<b>TOTAL Reductions</b>	\$ 151,695	\$ 46,172
	<b>DIFFERENCE</b>	\$ -	\$ -

Form A

## 5% Base Budget Reduction Form

69010 DPHHS, Human and Community Services Division, Program 02

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce overall TANF supportive service funding.

**#2 THE SAVINGS THAT ARE EXPECTED:**

\$261,422

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR**

Less supportive service funding will be available for TANF participants to assist them with employment related needs.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Funding will still be available, but the amount per TANF participant may decrease; uniforms, gas & books.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No

**Form B**

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME:**

		<b>Minimum Requirement</b>	
		<b>General Fund</b>	<b>State Special Revenue Fund</b>
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		<b>\$ 1,429,309</b>	<b>\$ 8,700</b>
		<b>General Fund Annual Reductions</b>	<b>State Special Revenue Annual Reductions</b>
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
<b>1</b>	Reduce CFSD Operating costs (excluding rent and FTE) by 5%	\$ 76,105	\$ 8,700
<b>2</b>	Reduce Foster Care Services (excluding clothing, diapers or monthly transportation allowance)	\$ 469,379	\$ -
<b>3</b>	Reduce Statewide In-Home and Reunification Services by 42%	\$ 883,825	\$ -
<b>TOTAL Reductions</b>		<b>\$ 1,429,309</b>	<b>\$ 8,700</b>
<b>DIFFERENCE</b>		<b>\$ 0</b>	<b>\$ 0</b>

Form A

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**6902 DPHHS Economic Security Branch, Child Support Enforcement Division,  
 Program 05**

		Minimum Requirement	
		General Fund	State Special Revenue Fund
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>			\$ 167,248
		General Fund Annual Reductions	State Special Revenue Annual Reductions
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
<b>1</b>	Reduced operating expenses	\$ -	\$ 167,248
<b>2</b>			
<b>3</b>			
<b>4</b>			
<b>5</b>			
<b>6</b>			
<b>7</b>			
<b>8</b>			
<b>9</b>			
	<b>TOTAL Reductions</b>	\$ -	\$ 167,248
	<b>DIFFERENCE</b>	\$ -	\$ -

Form A

**Department of Public Health and Human Services  
Economic Security Branch  
Disability Employment and Transitions Division (DET)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- Community Based Services
- Young Montanans with Disabilities in Transition
- Family/Individual Self Sufficiency
- Statewide Economic Development
- Government Efficiency

**DET Goal:**

- To assist continuously Montanans with disabilities, including transitioning students, to achieve independence so that they can, live, work and fully participate in their communities.

**DET Objectives:**

- Assist Montanans with disabilities, including those students transitioning from school to work and/or post-secondary education, into gainful employment
- Provide accurate and timely Social Security disability adjudications
- Improve the quality of life for Montanans with disabilities through education, innovation and technology by enhancing communication options

**Measurements:**

- The objective is measured by successfully meeting Vocational Rehabilitation standards and indicators as developed by the federal Rehabilitation Services.
- The objective is measured by successfully meeting the federal Social Security standards on accuracy rates and timeliness.
- The objective is measured by maintaining the current level of equipment distributed to individuals who are eligible for the Montana Telecommunications Access Program.

**Department of Public Health and Human Services  
Economic Security Branch  
Human & Community Services Division (HCSD)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- increased self- sufficiency
- safety net

**HCSD Goals and Objectives:**

- Increase the economic security and self-sufficiency of Montana families.
- Ensure the health and safety of Montanans by providing essential services and linkages to community resources.

**Measurements:**

Through review and analysis, the division determines whether:

**Temporary Assistance for Needy Families (TANF)**

- Basic cash grant is provided
- All families are engaged in allowable work activities
- Federal work participation requirements are met

**Supplemental Nutrition Assistance Program (SNAP)**

- All Federal accuracy and timeliness requirements are met
- The use of SNAP benefits (formerly food stamps) is expanded

**Medicaid and Healthy Montana Kids (HMK) Eligibility**

- All Federal accuracy and timeliness requirements are met
- Referrals to all public health care programs are coordinated

**Low Income Energy Assistance Program (LIEAP)**

- Cost-effective energy conservation measures are provided to low-income families
- Eligible households receive assistance with heating bills

**Childcare**

- Affordable, accessible, quality childcare is provided for low-income families by adequately reimbursing childcare providers and serving families without a waiting list.

**Department of Public Health and Human Services**  
**Economic Security Branch**  
**Child and Family Services Division (CFSD)**  
**2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Theme:**

- Public Safety

**CFSD Goal:**

- Improve the safety, permanency, and well-being outcomes for children who are at risk of or have been a victim of child maltreatment.

**CFSD Objectives:**

- Safety: After investigation, safely maintain children in their homes whenever possible and appropriate.
- Permanency: If removal from a home is necessary, establish and achieve appropriate permanency goals for children in a timely manner.
- Well-being: While in foster care, maintain children's connections with birth parents and siblings and meet each child's physical and mental health needs.

**Measurements:**

- Through ongoing review and analysis, the division determines whether reasonable or active efforts were made to provide and arrange appropriate services for families to maintain children in their homes whenever possible and appropriate.
- Through ongoing review and analysis, the division determines whether identified permanency goals were achieved in a timely manner.
- Through ongoing review and analysis, the division determines whether children's connections with birth parents and siblings, physical and mental health needs were met.

**Department of Public Health and Human Services  
Economic Security Branch  
Child Support Enforcement Division (CSED)  
FY2015 Biennium Goals & Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Theme:**

- Financial and Medical Support for Children

**CSED Goal:**

- Diligently pursue and ultimately achieve financial and medical support of children

**CSED Objective:**

- Obtain support for children by maintaining our ratings on federal child support performance standards.

**Measurement – The CSED will review and analyze whether:**

- Child support collections have been maintained
- The IV-D paternity establishment percentage has been maintained
- The percentage of cases with child support orders has been maintained
- The percentage of cases with current child support collections has been maintained
- The percentage of cases with arrears child support collections has been maintained
- The cost effectiveness ratio has been maintained
- The number of children with medical support has been maintained

## HUMAN AND COMMUNITY SERVICES FUNDING REQUESTS BY FUNCTION AND CATEGORY

The budget changes for the Public Assistance Bureau, Intergovernmental Human Services Bureau (Energy and Commodities), and the Early Childhood Services Bureau are reflected by category in the following table and are discussed in the following three sections. Areas containing new proposals are highlighted.

### Public Assistance Bureau

Budget Year	Public Assistance Bureau Funding Request by Function and Category											
	Fiscal 2012 - Base Budget				Fiscal 2014 - Requested				Fiscal 2015 - Requested			
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds
HCS Division Administration	\$ 196,332	\$ 8,058	\$ 284,483	\$ 488,873	\$ 256,493	\$ 10,527	\$ 371,655	\$ 638,675	\$ 256,964	\$ 10,547	\$ 372,338	\$ 639,849
<b>Public Assistance</b>												
Public Assistance Bureau	776,648	606,157	2,139,530	3,522,335	514,437	401,655	1,416,850	2,332,942	515,120	402,185	1,418,726	2,336,031
County Offices of Public Assistance	9,057,092	921,030	10,650,841	20,628,963	10,372,279	1,211,031	12,182,961	23,766,271	10,379,473	1,210,151	12,199,224	23,788,848
<b>Programs and Benefits</b>												
TANF Cash Assistance	0	65,000	17,355,144	17,420,144	0	65,000	21,608,280	21,673,280	0	65,000	21,608,280	21,673,280
TANF Employment, Training, Work	11,639,874	0	3,962,068	15,601,942	11,639,874	0	4,459,226	16,099,100	11,639,874	0	4,459,750	16,099,624
TANF Supportive Services	510,581	0	0	510,581	510,581	0	0	510,581	510,581	0	0	510,581
Refugee Programs	0	0	9,014	9,014	0	0	90,000	90,000	0	0	90,000	90,000
SNAP Training & Support	466,713	0	1,387,774	1,854,487	515,428	0	1,532,624	2,048,052	515,520	0	1,532,903	2,048,423
SNAP Benefits	0	0	190,942,034	190,942,034	0	0	0	0	0	0	0	0
Public Assistance Subtotal	\$22,450,908	\$1,592,187	\$226,446,405	\$250,489,500	\$23,552,599	\$1,677,686	\$41,289,941	\$66,520,226	\$23,560,568	\$1,677,336	\$41,308,883	\$66,546,787
Percent of Fiscal Year Total	9.0%	0.6%	90.4%	100.0%	35.4%	2.5%	62.1%	100.0%	35.4%	2.5%	62.1%	100.0%
Grand Total	\$22,647,240	\$1,600,245	\$226,730,888	\$250,978,373	\$23,809,092	\$1,688,213	\$41,661,596	\$67,158,901	\$23,817,532	\$1,687,883	\$41,681,221	\$67,186,636

### Intergovernmental Human Service Bureau (Energy and Commodities)

Budget Year	Intergovernmental Human Services Bureau Funding Request by Function and Category											
	FY 2012 - Base Budget				Fiscal Year 2014 - Requested				Fiscal Year 2015 Requested			
	General Fund	State Revenue	Special Federal Funds	Total Funds	General Fund	State Revenue	Special Federal Funds	Total Funds	General Fund	State Revenue	Special Federal Funds	Total Funds
<b>Energy and Commodities</b>	\$56,746	\$0	\$2,621,236	\$2,677,982	\$56,746	\$0	\$2,699,938	\$2,756,684	\$56,746	\$0	\$2,702,783	\$2,759,529
Emergency Housing Programs	0	0	1,429,350	1,429,350	0	0	1,429,350	1,429,350	0	0	1,429,350	1,429,350
<b>Energy and Weatherization</b>	0	246,207	28,565,109	28,811,316	0	346,207	29,597,707	29,943,914	0	346,207	29,613,232	29,959,439
Total	\$56,746	\$246,207	\$32,615,695	\$32,918,648	\$56,746	\$346,207	\$33,726,995	\$34,129,948	\$56,746	\$346,207	\$33,745,365	\$34,148,318
Percent of Total	0.2%	0.7%	99.1%	100.0%	0.2%	1.0%	98.8%	100.0%	0.2%	1.0%	98.8%	100.0%

### Early Childhood Services Bureau

Budget Year	Early Childhood Services Bureau Funding Request by Function and Category											
	FY 2012 - Base Budget				Fiscal Year 2014 - Requested				Fiscal Year 2015 Requested			
	General Fund	State Revenue	Special Federal Funds	Total	General Fund	State Revenue	Special Federal Funds	Total	General Fund	State Revenue	Special Federal Funds	Total
<b>Early Childhood Services:</b>												
Administration - Child Care	\$518	\$0	\$405,203	\$405,721	\$0	\$0	\$423,090	\$423,090	\$0	\$0	\$423,938	\$423,938
Healthy Montana Teens	0	0	0	0	0	0	5,940	5,940	0	0	5,957	5,957
Prevention and Stabilization	200,728	783,652	0	984,380	200,728	783,652	0	984,380	200,728	783,652	0	984,380
<b>Childcare Matching</b>	5,200,281	48,930	4,789,722	10,038,933	5,689,763	48,930	4,789,722	10,528,415	6,189,035	48,930	4,789,722	11,027,687
Childcare Mandatory	1,313,990	0	2,252,156	3,566,146	1,313,990	0	2,252,156	3,566,146	1,313,990	0	2,252,156	3,566,146
Childcare Discretionary	0	0	10,476,644	10,476,644	0	0	10,504,165	10,504,165	0	0	10,505,485	10,505,485
Quality - Child Care	0	0	3,215,601	3,215,601	0	0	3,199,735	3,199,735	0	0	3,199,662	3,199,662
<b>Head Start</b>	1,063,511	0	125,706	1,189,217	1,071,636	0	112,123	1,183,759	1,071,636	0	112,109	1,183,745
<b>Early Childhood Comprehensive</b>	0	0	140,065	140,065	0	0	142,453	142,453	0	0	142,440	142,440
Child Care Title IV-E Foster Care	218,969	0	543,834	762,803	218,969	0	543,834	762,803	218,969	0	543,834	762,803
<b>Child and Adult Care Food Program</b>	26,369	0	11,229,770	11,256,139	26,369	0	11,887,350	11,913,719	26,369	0	12,304,123	12,330,492
Total	\$8,024,366	\$832,582	\$33,178,701	\$42,035,649	\$8,521,455	\$832,582	\$33,860,568	\$43,214,605	\$9,020,727	\$832,582	\$34,279,426	\$44,132,735
Percent of Total	19.1%	2.0%	78.9%	100.0%	19.7%	1.9%	78.4%	100.0%	20.4%	1.9%	77.7%	100.0%

## 2011 FEDERAL POVERTY INDEX

2011 Federal Poverty Index												
Levels of Poverty by Family Size												
Family	Percent of FPL 2011											
Size	30%	33%	40%	100%	133%	150%	175%	185%	200%	250%	300%	350%
1	\$3,267	\$3,594	\$4,356	\$10,890	\$14,484	\$16,335	\$19,058	\$20,147	\$21,780	\$27,225	\$32,670	\$38,115
2	\$4,413	\$4,854	\$5,884	\$14,710	\$19,564	\$22,065	\$25,743	\$27,214	\$29,420	\$36,775	\$44,130	\$51,485
3	\$5,559	\$6,115	\$7,412	\$18,530	\$24,645	\$27,795	\$32,428	\$34,281	\$37,060	\$46,325	\$55,590	\$64,855
4	\$6,705	\$7,376	\$8,940	\$22,350	\$29,726	\$33,525	\$39,113	\$41,348	\$44,700	\$55,875	\$67,050	\$78,225
5	\$7,851	\$8,636	\$10,468	\$26,170	\$34,806	\$39,255	\$45,798	\$48,415	\$52,340	\$65,425	\$78,510	\$91,595
6	\$8,997	\$9,897	\$11,996	\$29,990	\$39,887	\$44,985	\$52,483	\$55,482	\$59,980	\$74,975	\$89,970	\$104,965
7	\$10,143	\$11,157	\$13,524	\$33,810	\$44,967	\$50,715	\$59,168	\$62,549	\$67,620	\$84,525	\$101,430	\$118,335
8	\$11,289	\$12,418	\$15,052	\$37,630	\$50,048	\$56,445	\$65,853	\$69,616	\$75,260	\$94,075	\$112,890	\$131,705
Family	Monthly Earnings 2011 FPL											
Size	30%	33%	40%	100%	133%	150%	175%	185%	200%	250%	300%	350%
1	\$272	\$299	\$363	\$908	\$1,207	\$1,361	\$1,588	\$1,679	\$1,815	\$2,269	\$2,723	\$3,176
2	\$368	\$405	\$490	\$1,226	\$1,630	\$1,839	\$2,145	\$2,268	\$2,452	\$3,065	\$3,678	\$4,290
3	\$463	\$510	\$618	\$1,544	\$2,054	\$2,316	\$2,702	\$2,857	\$3,088	\$3,860	\$4,633	\$5,405
4	\$559	\$615	\$745	\$1,863	\$2,477	\$2,794	\$3,259	\$3,446	\$3,725	\$4,656	\$5,588	\$6,519
5	\$654	\$720	\$872	\$2,181	\$2,901	\$3,271	\$3,816	\$4,035	\$4,362	\$5,452	\$6,543	\$7,633
6	\$750	\$825	\$1,000	\$2,499	\$3,324	\$3,749	\$4,374	\$4,623	\$4,998	\$6,248	\$7,498	\$8,747
7	\$845	\$930	\$1,127	\$2,818	\$3,747	\$4,226	\$4,931	\$5,212	\$5,635	\$7,044	\$8,453	\$9,861
8	\$941	\$1,035	\$1,254	\$3,136	\$4,171	\$4,704	\$5,488	\$5,801	\$6,272	\$7,840	\$9,408	\$10,975

**TANF Block Grant Expenditures Through June 30, 2012 and Projections for FY 2013 - FY 2015**

State Fiscal Year	SFY 2012	SFY 2013	SFY 2014	SFY 2015
Actual/Projected Balance of Grant	\$45,045,941	\$42,810,092	\$35,042,514	\$27,373,145
Grant Amount	<u>38,039,116</u>	<u>38,039,116</u>	<u>38,039,116</u>	<u>38,039,116</u>
Beginning Balance	\$83,085,057	\$80,849,208	\$73,081,630	\$65,412,261
Expenditures:				
Benefits - Cash Assistance (Net of ARRA)	\$15,785,908	\$17,833,850	\$20,548,870	\$20,548,870
Child Support Supplemental	<u>567,475</u>	<u>615,795</u>	<u>603,186</u>	<u>603,186</u>
Total Benefits	\$16,353,383	\$18,449,645	\$21,152,056	\$21,152,056
Indirects:				
Program 01 - MDTD	\$7,025	\$7,236	\$7,453	\$7,677
Program 02 - HCSD	1,501,241	1,546,278	1,592,666	1,640,446
Program 03 - CFSD	1,390,207	1,431,913	1,474,871	1,519,117
Program 04- Director's Office	141,382	145,624	149,992	154,492
Program 06- Fiscal	293,975	302,795	311,878	321,235
Program 08 - QAD	71,087	73,220	75,416	77,679
Program 09 and 02 Systems - TEAMS	785,852	809,428	833,711	858,722
program 09 and 03 Systems - CAPS	119,133	122,707	126,388	130,179
Program 12 - MHSMD	295	304	313	323
Program 16 - MFHD	<u>67,598</u>	<u>69,626</u>	<u>71,715</u>	<u>73,867</u>
Total cost allocation	\$4,377,796	\$4,509,130	\$4,644,404	\$4,783,736
Other TANF uses:				
Second Chance Home Services Support	\$300,000	\$300,000	\$300,000	\$300,000
Summer Youth Employment (DOLI)	24,844	975,156	0	0
TANF System	2,279,727	2,793,522	1,200,000	1,200,000
CHIMES COSTS	0	0	0	0
MOST After School Program	373,403	375,000	500,000	500,000
Family Economic Security Plan	1,630,873	2,000,000	2,000,000	2,000,000
TANF Employment Program Services	569,186	1,021,087	1,021,087	1,021,087
Adult Basic Education	91,142	100,000	200,000	200,000
Child Care for Working Caretaker Relatives	294,388	466,833	466,833	466,833
Food Banks	100,000	100,000	100,000	100,000
DOLI WoRC Contract (federal Share)	0	530,998	530,998	530,998
Post Employment Program (Benefit)	454,571	690,912	454,571	454,571
Accelerated Employment Service Program	14,062	0	0	0
Emerg Assist & Prg 03 Foster Care Benefits	<u>2,217,113</u>	<u>2,100,000</u>	<u>2,100,000</u>	<u>2,100,000</u>
Total other TANF uses	\$8,349,310	\$11,453,508	\$8,873,489	\$8,873,489
<b>TOTAL EXPENDITURES</b>	<b>\$29,080,490</b>	<b>\$34,412,283</b>	<b>\$34,669,949</b>	<b>\$34,809,281</b>
Transfers:				
Child Care	\$7,676,010	\$7,676,010	\$9,040,310	\$9,396,185
Additional Transfer Child Care	1,164,364	1,364,300	0	0
Additional Transfer Foster Care	355,875	355,875	0	0
Title XX program 03	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>	<u>1,998,226</u>
	\$11,194,475	\$11,394,411	\$11,038,536	\$11,394,411
<b>Expenditures and Transfers</b>	<b><u>\$40,274,965</u></b>	<b><u>\$45,806,694</u></b>	<b><u>\$45,708,485</u></b>	<b><u>\$46,203,692</u></b>
<b>Ending Balance</b>	<b>\$42,810,092</b>	<b>\$35,042,514</b>	<b>\$27,373,145</b>	<b>\$19,208,568</b>

**TANF Maintenance of Effort As of November 2013**

	Contract Budget	Expenditures YTD	Remaining Balance	Projection
<b>TANF Supportive Services &amp; Other</b>				
TANF Child Care or Benefits	\$192,697	\$0	(\$192,697)	\$192,697
TANF Supportive Services County	<u>1,141,822</u>	<u>191,500</u>	<u>(950,322)</u>	<u>1,141,822</u>
Subtotal	\$1,334,519	\$191,500	(\$1,143,019)	\$1,334,519
<b>TANF Employment and Training</b>				
Direct Administration	\$545,000	\$240,199	(\$304,801)	\$545,000
Direct Program	220,000	21,735	(198,265)	220,000
Workers Compensation for Work Experience Sites	85,000	16,823	(68,177)	85,000
WoRC Contracts	5,692,363	1,540,110	(4,152,253)	5,692,363
DOLI WoRC Contract	2,078,667	510,195	(1,568,472)	2,078,667
DOLI Rent	77,359	40,465	(36,894)	77,359
Fort Belknap Indian Community Transition (MOE - \$256,	256,156	6,916	(249,240)	256,156
Rocky Boy Transition (MOE - \$335,182)	335,182	103,051	(232,131)	335,182
Blackfeet Tribal Employment & Training	850,445	262,561	(587,884)	850,445
TANF RAMP	0	3,709	3,709	0
TANF System	<u>60,000</u>	<u>12,670</u>	<u>(47,330)</u>	<u>60,000</u>
Subtotal	\$10,200,172	\$2,758,435	(\$7,441,737)	\$10,200,172
01100/855HT				
System Development	\$1,672,750	\$1,393,738	(\$279,012)	\$1,672,750
Children's Basic Coverage	\$350,000	\$77,158	(\$272,842)	\$350,000
Child Care MOE	\$1,313,990	\$257,509	(\$1,056,481)	\$1,313,990
State Administration	\$0	\$0	\$0	\$0
State Program	<u>789,601</u>	<u>263,200</u>	<u>(526,400)</u>	<u>789,601</u>
Subtotal	2,103,590.57	520,709.45	(1,582,881.12)	2,103,590.57
<b>TOTAL</b>	<b>15,661,031.49</b>	<b>4,941,540.65</b>	<b>(10,719,490.84)</b>	<b>15,661,031.49</b>
MOE Requirement 75%				<u>13,129,100.00</u>
Difference		Over MOE Expenditures		2,531,931.49

\*Note: If 80% MOE was required, the amount would be 14,004,373.00  
and the Over MOE Expenditures would be 1,656,658.49

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	146.00	146.00	146.00	146.00	146.00	146.00	0.00	0.00%
Personal Services	7,843,193	8,201,723	8,191,660	8,203,679	16,044,916	16,395,339	350,423	2.18%
Operating Expenses	6,288,754	5,298,878	6,322,760	6,342,327	11,587,632	12,665,087	1,077,455	9.30%
Benefits & Claims	13,345,125	12,284,420	13,516,735	13,691,777	25,629,545	27,208,512	1,578,967	6.16%
Transfers	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$27,477,072</b>	<b>\$25,785,021</b>	<b>\$28,031,155</b>	<b>\$28,237,783</b>	<b>\$53,262,093</b>	<b>\$56,268,938</b>	<b>\$3,006,845</b>	<b>5.65%</b>
General Fund	5,111,808	5,364,352	5,602,510	5,673,164	10,476,160	11,275,674	799,514	7.63%
State Special	930,775	1,735,183	980,372	997,760	2,665,958	1,978,132	(687,826)	(25.80%)
Federal Special	21,434,489	18,685,486	21,448,273	21,566,859	40,119,975	43,015,132	2,895,157	7.22%
<b>Total Funds</b>	<b>\$27,477,072</b>	<b>\$25,785,021</b>	<b>\$28,031,155</b>	<b>\$28,237,783</b>	<b>\$53,262,093</b>	<b>\$56,268,938</b>	<b>\$3,006,845</b>	<b>5.65%</b>

**Program Description**

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

DET assists Montanans with disabilities in living, working, and participating in their communities. The program provides or contracts for a variety of employment outcome-related, independent living, and transition services. These services 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.

The Economic Security Services Branch manager is attached to this program for budget purposes.

There is an expanded description of the program in the appendix.

**Program Highlights**

<b>Disability Employment and Transitions Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The executive requests a total fund increase over the 2013 biennium of about \$1.3 million for:                             <ul style="list-style-type: none"> <li>• \$0.8 million in present law adjustments including a request of about \$90,000 for the Montana Telecommunications Access Program (MTAP) contracted services</li> <li>• A new proposal of about \$0.5 million (\$0.2 million general fund) for a 2.0% provider rate increase</li> </ul> </li> <li>◆ The executive requests a language appropriation of \$775,000 state special revenue contingent upon a federal mandate for states to assume payment for Video and Internet Protocol relay services for persons with severe hearing, mobility, or speech impairments</li> </ul>

**Program Discussion**

The increase in the budget when the 2013 and 2015 biennia are compared is primarily due to present law adjustments and a new proposal increasing provider rates by 2.0%; both of which contribute to the increase in general fund.

The decrease in state special revenue between FY 2013 and FY 2014 is related to contingency funding approved by the 2011 Legislature to accommodate a possible federal increase in Montana Telecommunication Access Program (MTAP) state special revenue for each year of the biennium. The FY 2012 amount was not needed and has been removed, but it remains in the FY 2013 budget at \$775,000. As noted in the highlight table, the executive has submitted a contingent request in the same amount for the 2015 biennium. There is further discussion in the MTAP section.

The increase in federal authority is related to the federal regulation that requires DET to spend social security program funds that are considered program income before the division can draw its federal grant funds. The base level federal appropriation in FY 2012 was insufficient to spend all the federal funds first, so the department transferred federal authority to this division to allow the increased expenditure. This changed the legislative federal appropriation of \$18.5 million to the \$21.4 million reflected above.

Changes to the Legislative Appropriation						
Funding	Legislative Appropriation		Adjusted Budget Request	November 2012 SABHRS *	Budget Request	
	FY 2012	FY 2013	FY 2012	FY 2013	FY 2014	FY 2015
General Fund	\$5,370,669	\$5,444,824	\$5,111,808	\$5,519,396	\$5,602,510	\$5,673,160
State Special Revenue	1,603,960	1,604,760	930,775	1,745,556	980,372	997,760
Federal Funds	<u>18,517,000</u>	<u>18,685,486</u>	<u>21,434,489</u>	<u>19,038,003</u>	<u>21,448,273</u>	<u>21,566,859</u>
	\$25,491,629	\$25,735,070	\$27,477,072	\$26,302,955	\$28,031,155	\$28,237,779

\* Includes the Contingency Request in Legislative Appropriation and FY 2013

At the time of this writing, adjustments have been made in the FY 2013 federal authority as well. The figure shows the legislative appropriation, transfers made as of late November FY 2013, and the budget request.

*Benefits*

Major services provided by DET programs include vocational rehabilitation (VR), independent living, the Montana Telecommunications Access Program (MTAP), and Disability Determination. Services are provided by staff and through social assistance. The programs provide services designed:

- o To help individuals with physical, mental, visual, hearing, brain injury, and other disabilities obtain and keep a job
- o Support individuals with disabilities who wish to live independently as well as older blind clients who do not qualify for the VR program
- o Help with telecommunications needs of Montanans who are deaf, hard of hearing, speech disabled, or mobility disabled
- o Determine eligibility for Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI).

There are independent living centers in Missoula, Great Falls, Helena, and Billings and eleven branch offices throughout the state whose staff provide services to individuals with disabilities.

The figure shows the benefit funding for the 2015 biennium reflecting services with general fund match, as well as those funded solely by federal funds or general fund.

*Staffing*

The 2011 Legislature provided the division over \$8.1 million total funds for personal services and 146.00 FTE. As shown in the introductory table, actual expenditures for personal services were just over \$7.8 million for 146.00 FTE. When the actual expenditure is translated into working hours it represents 146.00 FTE at 2,088 hours for 304,848 budgeted hours. Actual hours worked were 288,299 for a difference of 16,549 hours; just over 5.4% for hours budgeted that were not used, compared to the legislatively imposed 4% vacancy savings rate.

Disability Employment and Transitions Division Benefit Funding for the 2015 Biennium		
Program	General Fund	Total Funds
General Fund Match or all Federal Funds		
Section 110 Vocational Rehabilitation	\$3,415,364	\$16,047,986
Independent Living Part B	1,006,536	1,398,912
Section 110 Blind and Low Vision	475,602	2,232,876
Social Security Benefits	0	3,026,962
Montech Grants	0	878,872
Supported Employment 6B	0	687,490
Disability Determination	0	102,468
Vocational Rehabilitation Admin	0	12,106
General Fund Only		
Extended Employment Benefits	2,636,906	2,636,906
Visual Medical Benefits	175,410	175,410
Independent Living Chapter 2	<u>8,524</u>	<u>8,524</u>
<b>Total Funds</b>	<b>\$7,718,342</b>	<b>\$27,208,512</b>

The division listed 11 vacant positions in the MBARS budget development. The positions showed usage ranging from only 29.0% to 99.9% with the bulk ranging from 53.2% to 87.6 % usage reflecting a reasonably stable workforce.

Staff of the division received the general salary increase provided to other employees of the agency. For a further discussion, see the Summary section of this agency’s narrative.

*The Montana Telecommunication Access Program*

The MTAP helps with telecommunications 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.

The following 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 new technologies related to video relay service (VRS) and internet protocol relay (IP). VRS facilitates phone calls between an individual who uses sign language and a hearing individual. A sign interpreter voices a call aloud for the hearing party using the internet and video of the Sign Language user.

**6902 - ECONOMIC SECURITY SERVICES BRANCH      01-DISABILITY EMPLOYMENT & TRANSITIONS**

Montana Telecommunications Access Program Fund Balance Projection						
Categories	FY 2010 Actuals	FY 2011 Actuals	FY 2012 Actuals	FY 2013 Projected	FY 2014 Projected	FY 2015 Projected
Beginning Fund Balance	\$1,522,978	\$2,040,687	\$2,468,132	\$1,010,422	\$1,500,015	\$1,970,230
Receipts						
Revenue Collected	\$1,364,326	\$1,349,314	\$1,332,666	\$1,445,300	\$1,445,300	\$1,445,300
Misc. Receipts	<u>45</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	<u>\$2,887,349</u>	<u>\$3,390,005</u>	<u>\$3,800,798</u>	<u>\$2,455,722</u>	<u>\$2,945,315</u>	<u>\$3,415,530</u>
Expenses:						
Budgeted:						
Administrative (staff)	\$244,363	\$212,549	\$215,843	\$230,814	\$230,814	\$230,814
Other Services	9,789	12,836	18,781	16,335	16,335	16,335
<b>Relay Services - Traditional</b>	<b>127,905</b>	<b>130,285</b>	<b>99,337</b>	<b>91,990</b>	<b>90,143</b>	<b>87,594</b>
<b>Relay Services - CapTel</b>	<b>158,016</b>	<b>166,130</b>	<b>216,741</b>	<b>242,375</b>	<b>263,600</b>	<b>283,040</b>
Outreach	115,128	180,522	195,851	140,128	140,128	140,128
Supplies	18,481	5,537	7,779	7,700	7,700	7,700
distribution equipment	90,624	115,779	71,940	95,022	95,022	95,022
Communications	6,392	14,029	12,067	10,470	10,470	10,470
Travel	16,780	21,319	22,109	21,319	21,319	21,319
Rent/Utilities	32,413	27,521	28,483	32,406	32,406	32,406
Repairs/Maintenance	23,186	497	391	1,000	1,000	1,000
Other Expenses/Equipment	6,317	5,709	5,980	6,000	6,000	6,000
Debt Services/Leases	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Budgeted Expenses	\$849,394	\$892,713	\$895,302	\$895,559	\$914,937	\$931,828
Non-Budgeted and Prior Year:						
Indirect Costs	\$30,071	\$38,264	\$59,260	\$64,648	\$64,648	\$64,648
Prior Year Adj/Corr/Pynt	(32,803)	(9,104)	(14,186)	(4,500)	(4,500)	(4,500)
Cash Balance Transfers HB 604	<u>0</u>	<u>0</u>	<u>1,850,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal Non-Budgeted Expenses	<u>(\$2,732)</u>	<u>\$29,160</u>	<u>\$1,895,074</u>	<u>\$60,148</u>	<u>\$60,148</u>	<u>\$60,148</u>
Total Operating Expenses	<u>\$846,662</u>	<u>\$921,873</u>	<u>\$2,790,376</u>	<u>\$955,707</u>	<u>\$975,085</u>	<u>\$991,976</u>
Ending Fund Balance Without Contingency	<u>\$2,040,687</u>	<u>\$2,468,132</u>	<u>\$1,010,422</u>	<u>\$1,500,015</u>	<u>\$1,970,230</u>	<u>\$2,423,554</u>
Beginning Balance with Contingency				\$1,500,015	\$1,582,730	\$1,261,054
Contingency Amount for Relay Services -VRS/IP	<u>0</u>	<u>0</u>	<u>0</u>	<u>387,500</u>	<u>775,000</u>	<u>775,000</u>
Ending Fund Balance with Contingency	<u>\$2,040,687</u>	<u>\$2,468,132</u>	<u>\$1,010,422</u>	<u>\$1,112,515</u>	<u>\$807,730</u>	<u>\$486,054</u>

IP Relay uses the internet to transmit text rather than video. Individuals who are deaf use a computer and internet to send text to an operator who verbally passes the message to the hearing party.

The table shows the fund balance without the increase and with federal action. Only half of the amount is used in FY 2013 since federal action is not apparent at the time of this writing and half of the year would be past at the time of legislative discussion.

The 2011 Legislature also transferred \$1.85 million from the MTAP fund to the general fund through HB 604. This transfer and the contingency options are highlighted in the table.

**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 2015 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>	While there would not be a lot of funding left if the contingency request would be utilized, given the potential changing role of federal funding, the legislature may wish to discuss the future role and amount of the fee with the division to ensure that it is not higher than necessary to meet program needs.
--------------------	--

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Disability Employment & Transitions							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>General Fund</b>	<b>\$11,275,674</b>	<b>\$0</b>	<b>\$0</b>	<b>\$11,275,674</b>	20.0%		
<b>State Special Total</b>	<b>\$1,978,132</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,978,132</b>	3.5%		
02159 Handicapped Telecommunications	\$1,894,599	\$0	\$0	\$1,894,599	3.4%		
02434 02 Indirect Activity Prog 01	\$83,533	\$0	\$0	\$83,533	0.1%		
<b>Federal Special Total</b>	<b>\$43,015,132</b>	<b>\$0</b>	<b>\$0</b>	<b>\$43,015,132</b>	76.4%		
03024 Soc Sec - Trust Funds	\$3,026,962	\$0	\$0	\$3,026,962	5.4%		
03365 03 Indirect Activity Prog 01	\$612,573	\$0	\$0	\$612,573	1.1%		
03554 84.169 - Independent Living 90	\$556,942	\$0	\$0	\$556,942	1.0%		
03555 84.177 - Indep Living Old Blin	\$473,370	\$0	\$0	\$473,370	0.8%		
03557 84.187 - Vic Sup Employment	\$687,490	\$0	\$0	\$687,490	1.2%		
03558 84.224 - Mon Tech 100%	\$878,872	\$0	\$0	\$878,872	1.6%		
03559 84.265 - In Service Training 9	\$35,562	\$0	\$0	\$35,562	0.1%		
03588 93.802 - Disabil Deter Adm 100	\$10,694,930	\$0	\$0	\$10,694,930	19.0%		
03604 84.126 - Rehab-sec110 A 78.7%	\$26,048,431	\$0	\$0	\$26,048,431	46.3%		
<b>Total All Funds</b>	<b>\$56,268,938</b>	<b>\$0</b>	<b>\$0</b>	<b>\$56,268,938</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The program is funded from a variety of sources and funding and federal matching rates vary by function. General fund comprises 20.0% of the budget, with most used to match federal funds. The activities supported entirely by the general fund are 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 the necessary assistive technology.

State special revenue comprises about 3.5% of the budget and is the sole support of the MTAP program. MTAP revenue is raised by a fee of 10 cents a month assessed on bills for subscriber connections and/or prepaid wireless telecommunication services per 53-19-311, MCA.

Federal funds comprise over 76.4% of the budget. The disability determination function is funded entirely with federal funds, as is the Montech assistive technology program and supported employment.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

**6902 - ECONOMIC SECURITY SERVICES BRANCH 01-DISABILITY EMPLOYMENT & TRANSITIONS**

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					689,793					702,311
Vacancy Savings					(341,326)					(341,825)
Inflation/Deflation					(5,387)					(2,650)
Fixed Costs					2,576					2,515
<b>Total Statewide Present Law Adjustments</b>		<b>\$423,318</b>	<b>\$12,780</b>	<b>(\$90,442)</b>	<b>\$345,656</b>		<b>\$425,240</b>	<b>\$13,277</b>	<b>(\$78,166)</b>	<b>\$360,351</b>
DP 110 - MTAP Relay Services										
	0.00	0	36,817	0	36,817	0.00	0	53,708	0	53,708
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$36,817</b>	<b>\$0</b>	<b>\$36,817</b>	<b>0.00</b>	<b>\$0</b>	<b>\$53,708</b>	<b>\$0</b>	<b>\$53,708</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$423,318</b>	<b>\$49,597</b>	<b>(\$90,442)</b>	<b>\$382,473</b>	<b>0.00</b>	<b>\$425,240</b>	<b>\$66,985</b>	<b>(\$78,166)</b>	<b>\$414,059</b>

DP 110 - MTAP Relay Services – The executive requests an increase in state special revenue for the Montana Telecommunications Access Program to cover the projected costs of minutes used in providing traditional relay services and CapTel relay services for people with severe hearing, mobility, or speech impairments.

**New Proposals**

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1901 - PRI Vocation Rehabilitation										
01	0.00	67,384	0	104,226	171,610	0.00	136,116	0	210,536	346,652
<b>Total</b>	<b>0.00</b>	<b>\$67,384</b>	<b>\$0</b>	<b>\$104,226</b>	<b>\$171,610</b>	<b>0.00</b>	<b>\$136,116</b>	<b>\$0</b>	<b>\$210,536</b>	<b>\$346,652</b>

DP 1901 - PRI Vocation Rehabilitation – The Governor requests a 2.0% provider rate increase in each year of the biennium for Extended Employment, Independent Living, and other Vocational Rehabilitation providers. For a further discussion and additional information, see the agency overview. The figure shows the allocation of the rates by DET program.

2 Percent Provider Rate Increases						
Program	FY 2014	FY 2015	2015 Biennium Total and Fund Allocation			
			Total	General Fund	Federal Fund	
Vocational Rehabilitation Section 110	\$130,136	\$262,876	\$393,012	\$83,710	\$309,302	
Blind and Low Vision Section 110	2,298	4,640	6,938	1,478	5,460	
Independent Living Part B	13,580	27,432	41,012	41,012	0	
Extended Employment	<u>25,596</u>	<u>51,704</u>	<u>77,300</u>	<u>77,300</u>	<u>0</u>	
	<u>\$171,610</u>	<u>\$346,652</u>	<u>\$518,262</u>	<u>\$203,500</u>	<u>\$314,762</u>	

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	502.31	502.31	507.31	507.31	502.31	507.31	5.00	1.00%
Personal Services	23,552,146	24,668,691	25,454,640	25,476,137	48,220,837	50,930,777	2,709,940	5.62%
Operating Expenses	7,393,796	8,673,138	8,046,539	8,062,005	16,066,934	16,108,544	41,610	0.26%
Equipment & Intangible Assets	0	90,550	28,000	90,000	90,550	118,000	27,450	30.31%
Capital Outlay	0	0	0	0	0	0	0	n/a
Grants	19,428,497	19,044,760	21,076,629	21,026,629	38,473,257	42,103,258	3,630,001	9.44%
Benefits & Claims	272,970,312	377,194,785	88,309,727	89,224,999	650,165,097	177,534,726	(472,630,371)	(72.69%)
Transfers	2,587,919	3,315,289	2,587,919	2,587,919	5,903,208	5,175,838	(727,370)	(12.32%)
<b>Total Costs</b>	<b>\$325,932,670</b>	<b>\$432,987,213</b>	<b>\$145,503,454</b>	<b>\$146,467,689</b>	<b>\$758,919,883</b>	<b>\$291,971,143</b>	<b>(\$466,948,740)</b>	<b>(61.53%)</b>
General Fund	30,728,352	29,012,895	33,387,293	33,895,005	59,741,247	67,282,298	7,541,051	12.62%
State Special	2,679,034	2,864,741	2,867,002	2,866,672	5,543,775	5,733,674	189,899	3.43%
Federal Special	292,525,284	401,109,577	109,249,159	109,706,012	693,634,861	218,955,171	(474,679,690)	(68.43%)
<b>Total Funds</b>	<b>\$325,932,670</b>	<b>\$432,987,213</b>	<b>\$145,503,454</b>	<b>\$146,467,689</b>	<b>\$758,919,883</b>	<b>\$291,971,143</b>	<b>(\$466,948,740)</b>	<b>(61.53%)</b>

The Human and Community Services Division (HCSD) is comprised of 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. There is a full description of the HCSD at: <http://www.dphhs.mt.gov/hcspd/>

**Program Highlights**

<b>Human and Community Services</b>	
<b>Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Major decreases to the budget are primarily in federal fund reductions for:                             <ul style="list-style-type: none"> <li>• Reclassification of \$381.9 million in the Supplemental Nutrition Assistance Program (SNAP) from HB 2 to a statutory appropriation</li> <li>• Transfers of federal Temporary Assistance for Needy Families (TANF) funding for programs operated by the Department of Labor</li> </ul> </li> <li>◆ Present law adjustments include total funds of:                             <ul style="list-style-type: none"> <li>• \$2.8 million for the net of about \$5.1 million for personal services increases offset by reductions of \$2.3 million in vacancy savings, deflation, and reductions in fixed costs</li> <li>• \$6.0 million in requests across the division primarily addressing increases to on-going federal grants, overtime, and operating adjustments</li> </ul> </li> <li>◆ New proposals include about:                             <ul style="list-style-type: none"> <li>• \$9.5 million federal funds for increased authority for Temporary Assistance for Needy Families (TANF) benefits and programs</li> <li>• \$2.0 million general fund for grants supporting early childhood education</li> <li>• \$0.5 million total funds for 5.00 FTE for the Offices of Public Assistance eligibility determination</li> <li>• \$1.5 million general fund for provider rate increases in child care</li> <li>• A \$381.9 million reduction in federal SNAP authority</li> </ul> </li> </ul>	

**Program Discussion**

The HCSD discussion comprises a brief overview and programmatic discussion in three sections:

- Public Assistance
- Energy, Weatherization, and Commodities
- Early Childhood Services

*Changes to the Budget*

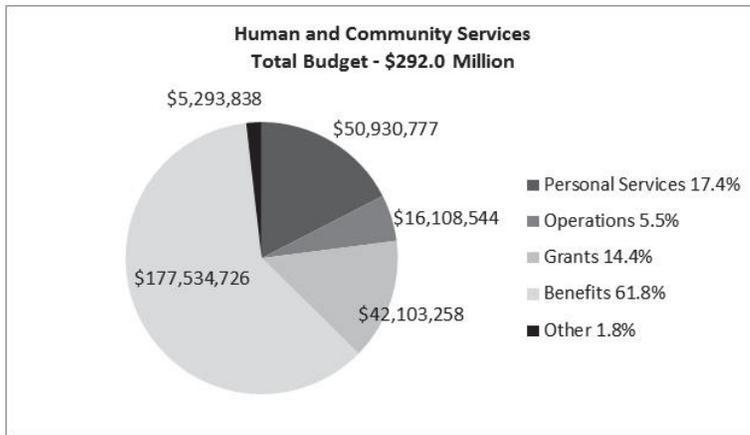
The major budget reduction is in federal fund benefits:

- The Governor recommends moving SNAP federal funding from HB 2 to a statutory appropriation. The proposal:
  - Removes a biennial amount of over \$381.9 million in SNAP benefits from HB 2
  - Requests legislation to establish the federally required state pass-through of SNAP funding as statutory authority
  - Moves authority for spending but does not reduce the state’s obligation or accountability related to the federal pass-through of SNAP benefits and the electronic benefit transfer (EBT cards)

Partially offsetting this reduction are present law adjustments and proposals to increase various benefits, and the Governor’s recommendation of \$1.0 million each year for early childhood education grants.

*The End of the 2011 Session and the Interim*

The division made increases to the FY 2012 and FY 2013 legislative appropriation during the interim via transfers. The largest single transfer increased both the FY 2012 and FY 2013 appropriations by over \$23.0 million federal funds associated with TANF, SNAP, LIEAP energy assistance, and weatherization. Much of the authority was transferred or unused in FY 2012 but remains in FY 2013 in benefits and is shown in the comparison table.



*Primary Functions*

The chart shows that over half of the \$292.0 million biennium total funds budget is for benefits supporting of SNAP, TANF, child care and early childhood services, and energy, weatherization and commodities.

Funding for personal services is nearly 20% of the budget and supports 507.31 FTE, 467.31 FTE of which are in the Public Assistance Bureau and regional offices throughout the state as well as 8.00 FTE in the HCSD administration. There are 15.00 FTE working on programs in child care and early

childhood services, 17.00 FTE in low income energy, weatherization, and commodities.

*Budgeted Hours*

The following figure shows the budgeted hours and the hours worked by HCSD staff. When the actual personal services expenditure is translated into working hours it represents 507.31 FTE at 2,088 hours for 1,059,263 budgeted hours prior to the application of vacancy savings of 4%. The actual hours worked were 1,006,440. The difference of 52,823 hours reflects usage of 4.99% for hours budgeted that were not used, compared to the legislatively imposed 4% vacancy savings rate.

Program	FTE	Personal Services Hours Budgeted and Used		
		Hours Budgeted	Hours Used	Percent of Usage
HCSD Administration	8.00	16,704	18,223	109.09%
Early Childhood Services	15.00	31,320	27,958	89.27%
Intergovernmental Services	17.00	35,496	36,127	101.78%
Public Assistance Bureau	62.00	129,456	114,903	88.76%
HB 2 Public Assistance OTO	5.00	10,440	8,630	82.66%
HCSD Region 1	191.31	399,455	387,971	97.13%
HCSD Region 2	<u>209.00</u>	<u>436,392</u>	<u>412,628</u>	94.55%
	507.31	1,059,263	1,006,440	95.01%
<b>HB 2 Modified Positions</b>				
Early Childhood Services	2.00	4,176	4,242	101.58%
Intergovernmental Services	2.00	4,176	4,176	100.00%
HCSD Region 2	1.00	2,088	954	45.69%
Early Childhood Services	<u>0.95</u>	<u>1,984</u>	<u>2,088</u>	105.24%
	5.95	12,424	11,460	

There are also 5.00 HB 2 modified positions and 0.95 modified FTE approved through a budget amendment. 2.95 FTE work in early childhood services, 2.00 FTE in intergovernmental services, and 1.00 FTE in Region 2. These FTE worked 11,460 hours out of a possible 12,424 hours for a 7.76% vacancy savings rate.

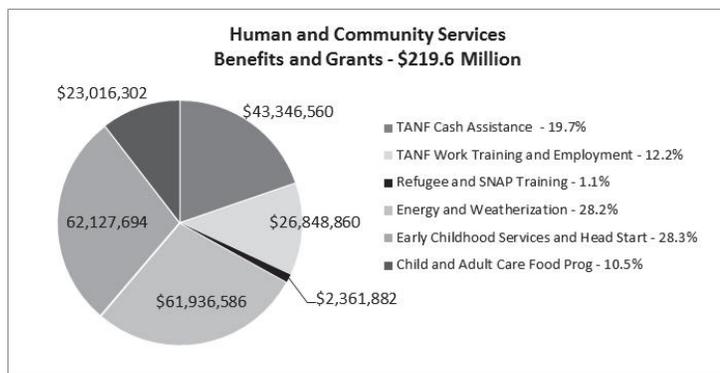
As the figure shows, the percentage of usage is higher in the regions, reflecting the Offices of Public Assistance (OPA) efforts to maintain eligibility and case work while adjusting to the development and implementation of the new CHIMES-EA system. The 5.00 OTO FTE positions are discussed in the new proposal section later in the write-up (DP 30301).

As of this writing, the division had 27 vacant positions, three of which have been vacant since March, April, and June of 2012.

Staff of the division received the general salary increase provided to other employees of the agency. For a further discussion, see the Summary section of this agency’s narrative.

*Benefits and Grants*

Benefits and Grants account for \$219.6 million of the entire budget. The chart shows that the TANF cash assistance and employment programs together account for about 32.0% of the total. Early childhood services, which includes a myriad of programs related to child care, safety, early childhood education and development as well as the energy and weatherization programs each account for over 28.0% of the total. The child and adult care food program accounts for about 10.5% while the combined category of SNAP training and refugee assistance is about 1.1%.



As mentioned in the highlight table, the executive recommends statutorily appropriating the SNAP benefits. These benefits would no longer be in HB 2 and the \$381.9 million that would be statutorily appropriated is not included here. There is further discussion of the benefits in the subprogram sections later in this write-up.

The executive also includes language: “If legislation authorizing a statutory appropriation for SNAP benefits is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$190,942,034 federal funds each year.”

*Transfers*

The decrease in transfers relates to transfers of TANF and/or TANF maintenance of effort (MOE) funds primarily supporting employment, training and work programs that are operated under contract by the Department of Labor.

*Information Technology (IT)*

IT plays a major role for HCSD primarily because of the OPAs and eligibility. Some projects are associated with major long-range technology projects (LRIT), and others are maintained by on-going maintenance contracts. Costs of major systems are managed at the Technology Services Division and are cost allocated to programs using the systems. Two systems are related to LRIT as well as the Patient Protection and Affordable Care Act (ACA):

- o The SNAP / TANF /CHIMES-EA (Enterprise Architecture), often called CHIMES-EA, system at about 50% federal funds - \$29.1 million LRIT and federal funds
- o The CHIMES Medicaid / HMK project - \$9.8 million total funds, about 90% federal funds

The above systems support eligibility determination, benefit distribution, program administration, tracking, and reporting. CHIMES-EA went “live” in early November and OPA staff is working through the implementation process.

There are several systems relative to HCSD services. Eligibility information is entered, verified and determined primarily through the CHIMES-EA and CHIMES Medicaid/HMK. Child Care Under the Big Sky (CCUBS) in the Childhood Services Bureau is used for child care licensing, provider inspection, family eligibility determination for subsidy and payment processes, and the quality improvement program contract management. The Low Income Energy Assistance Program (LIEAP) system helps with applications as well as payments to energy retailers for clients' heating costs.

Montana Access EBT electronically disburses SNAP benefits and TANF cash payments as well as reimbursement of retailers and financial institutions.

#### The Patient Protection and Affordable Care Act (ACA)

As ACA is presently written, Medicaid eligibility will expand beginning January 1, 2014. Montana will join the Federal Exchange and DPHHS has received permission from the Centers for Medicare and Medicaid Services (CMS) to fund (90% federal / 10% state funds) the architecture components of CHIMES-EA, since those components will provide the interoperability needed to interface with the insurance exchange. In addition, ACA will require changes to the DPHHS eligibility process and the business rules used to determine eligibility. For example, the eligibility function of the exchange would verify the client's information and send designated information to DPHHS for eligibility determination for Medicaid, TANF, SNAP, and HMK.

The challenge is that the federal timeline requires substantial system capabilities be developed by October 1, 2013. DPHHS is presently reviewing ACA and any other federal requirements to assess the impact on Montana. The impact on OPA staff is unknown at this time.

There is further discussion about ACA in the agency overview and about IT systems in the Technology Services Division section.

#### **Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor. It illustrates the funding available for the biennium to support the programs as well as the removal of SNAP federal funds from the HB 2 section to statutorily appropriated funds.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Human And Community Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$67,282,298	\$0	\$0	\$67,282,298	23.0%		
State Special Total	\$5,733,674	\$0	\$0	\$5,733,674	2.0%		
02375 6901-02 Indrct Actvty Prog 02	\$3,187,198	\$0	\$0	\$3,187,198	1.1%		
02688 6901-tanf Overpayments	\$130,000	\$0	\$0	\$130,000	0.0%		
02698 69010-prevention&stabilization	\$1,665,164	\$0	\$0	\$1,665,164	0.6%		
02772 Tobacco Hlth & Medica Initiative	\$58,898	\$0	\$0	\$58,898	0.0%		
02974 Univ Low Income Energy Assistance	\$692,414	\$0	\$0	\$692,414	0.2%		
Federal Special Total	\$218,955,171	\$0	\$0	\$218,955,171	75.0%		
03066 81.042 Bpa	\$992,560	\$0	\$0	\$992,560	0.3%		
03096 Discretionary Child Care	\$27,409,047	\$0	\$0	\$27,409,047	9.4%		
03109 Tanf Benefits	\$52,135,536	\$0	\$0	\$52,135,536	17.9%		
03135 Hopwa Help Plus	\$970,718	\$0	\$0	\$970,718	0.3%		
03168 Cacfp Child Care Wellness	\$22,575,473	\$0	\$0	\$22,575,473	7.7%		
03236 Child Nutrition	\$1,559,046	\$0	\$0	\$1,559,046	0.5%		
03250 Child Care Manditory/moe	\$4,504,312	\$0	\$0	\$4,504,312	1.5%		
03251 Child Care Admin	\$847,140	\$0	\$0	\$847,140	0.3%		
03252 Child Care Matching	\$9,579,444	\$0	\$0	\$9,579,444	3.3%		
03299 Support Pregnant & Parent Teen	\$11,897	\$0	\$0	\$11,897	0.0%		
03382 03 Indirect Activity Prog 02	\$27,542,928	\$0	\$0	\$27,542,928	9.4%		
03448 6901-early Childhood Comp Sys	\$284,893	\$0	\$0	\$284,893	0.1%		
03467 6901-homeless Mgmt Info System	\$132,612	\$0	\$0	\$132,612	0.0%		
03519 93.045 - Aging Meals 100%	\$90,100	\$0	\$0	\$90,100	0.0%		
03523 93.566 - Refugee Soc. Serv	\$155,000	\$0	\$0	\$155,000	0.1%		
03530 6901-foster Care 93.658	\$1,087,668	\$0	\$0	\$1,087,668	0.4%		
03539 93.600 Headstart	\$224,232	\$0	\$0	\$224,232	0.1%		
03544 10.561 - Fs E & T - 50%	\$414,583	\$0	\$0	\$414,583	0.1%		
03545 10.561 - Fs E & T - 100%	\$584,036	\$0	\$0	\$584,036	0.2%		
03546 10.561 - Fs Adm - Fed Exp 50%	\$2,066,908	\$0	\$0	\$2,066,908	0.7%		
03547 10.568 - Emerg Food Assist 100	\$332,090	\$0	\$0	\$332,090	0.1%		
03548 10.569 - Food Distr - Fed Exp	\$4,184,271	\$0	\$0	\$4,184,271	1.4%		
03550 14.231 - Emerg Shelter - Hud 5	\$1,446,322	\$0	\$0	\$1,446,322	0.5%		
03552 81.042 - Weather Ben 100%	\$4,111,536	\$0	\$0	\$4,111,536	1.4%		
03571 93.566 - Off Ref Reset Adm 10	\$25,000	\$0	\$0	\$25,000	0.0%		
03572 93.568 - Lieap Blk Grt Adm	\$47,204,349	\$0	\$0	\$47,204,349	16.2%		
03573 93.569 - Csbg Adm	\$6,050,494	\$0	\$0	\$6,050,494	2.1%		
03580 6901-93.778 - Med Adm 50%	\$406,586	\$0	\$0	\$406,586	0.1%		
03677 6901-cacfp 10.558 & 10.560	\$65,026	\$0	\$0	\$65,026	0.0%		
03679 6901-hopwa Cfda#14-241	\$951,048	\$0	\$0	\$951,048	0.3%		
03965 Csfp	\$1,010,316	\$0	\$0	\$1,010,316	0.3%		
Total All Funds	\$291,971,143	\$0	\$0	\$291,971,143	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The costs of this division are driven by the provision of benefits and the staff and contracted providers that deliver them throughout the state. The majority of funding for HCSD, 75.6%, comes from federal sources and is used for the direct provision of benefits and/or the programs supporting client recipients of the benefits.

General fund provides 23.0% of the division's funding. It represents about 44.0% of the funding for offices of public assistance; supports required TANF and child care maintenance of effort (MOE) requirements; early childhood education grants and is used as match for federal programs such as Medicaid and SNAP eligibility determination, and child care benefits.

State special revenue is primarily used in the delivery of childcare and energy and weatherization services, and comprises the preservation and stabilization fund and the universal systems benefits funds.

**Present Law Adjustments and New Proposals**

The following tables show Present Law Adjustments and new proposals for HCSD. Details follow in the sub-program discussion.

Present Law Adjustments										
-----Fiscal 2014-----						-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,528,895					2,551,626
Vacancy Savings					(1,043,229)					(1,044,136)
Inflation/Deflation					(7,482)					3,703
Fixed Costs					(85,099)					(85,135)
<b>Total Statewide Present Law Adjustments</b>		<b>\$908,658</b>	<b>\$13,460</b>	<b>\$470,967</b>	<b>\$1,393,085</b>		<b>\$918,098</b>	<b>\$12,361</b>	<b>\$495,599</b>	<b>\$1,426,058</b>
DP 20102 - Family Economic Security and Employment	0.00	0	0	175,146	175,146	0.00	0	0	175,146	175,146
DP 20104 - Child Care for Working Caretaker Relatives	0.00	0	0	163,831	163,831	0.00	0	0	163,831	163,831
DP 20105 - Refugee Program	0.00	0	0	80,986	80,986	0.00	0	0	80,986	80,986
DP 20106 - Weatherization and Other IHSB Increases	0.00	0	100,000	980,000	1,080,000	0.00	0	100,000	992,000	1,092,000
DP 20206 - Child and Adult Care Food Program Caseload	0.00	0	0	600,000	600,000	0.00	0	0	1,016,000	1,016,000
DP 20300 - Required Overtime/Holiday/Differential Pay	0.00	63,323	20,959	99,281	183,563	0.00	63,323	20,959	99,281	183,563
DP 20302 - IHSB Operating Adjustment	0.00	0	0	113,829	113,829	0.00	0	0	114,055	114,055
DP 20303 - ECSB Operating Adjustment	0.00	8,125	0	109,471	117,596	0.00	8,125	0	109,297	117,422
DP 20501 - Private Lease Adjustment	0.00	71,765	42,585	162,376	276,726	0.00	77,403	43,973	173,990	295,366
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$143,213</b>	<b>\$163,544</b>	<b>\$2,484,920</b>	<b>\$2,791,677</b>	<b>0.00</b>	<b>\$148,851</b>	<b>\$164,932</b>	<b>\$2,924,586</b>	<b>\$3,238,369</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,051,871</b>	<b>\$177,004</b>	<b>\$2,955,887</b>	<b>\$4,184,762</b>	<b>0.00</b>	<b>\$1,066,949</b>	<b>\$177,293</b>	<b>\$3,420,185</b>	<b>\$4,664,427</b>

**New Proposals**

New Proposals											
-----Fiscal 2014-----						-----Fiscal 2015-----					
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 20107 - Early Childhood Education Grant Program	02	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 20123 - TANF MOST After School Program	02	0.00	0	125,000	125,000	0.00	0	0	125,000	125,000	
DP 20301 - Public Assistance	02	5.00	117,588	10,964	131,886	260,438	5.00	110,950	10,345	124,441	245,736
DP 20800 - TANF Payment Standard FPL Adjustment	02	0.00	0	1,732,885	1,732,885	0.00	0	0	1,732,885	1,732,885	
DP 20801 - TANF Eligibility Standard FPL Adjustment	02	0.00	0	2,520,251	2,520,251	0.00	0	0	2,520,251	2,520,251	
DP 20803 - TANF Education Support	02	0.00	0	200,000	200,000	0.00	0	0	200,000	200,000	
DP 20804 - SNAP Benefits Statutory Appropriation (Requires Legislation)	02	0.00	0	(190,942,034)	(190,942,034)	0.00	0	0	(190,942,034)	(190,942,034)	
DP 20901 - PRI Child Care	02	0.00	489,482	0	0	489,482	0.00	988,754	0	0	988,754
<b>Total</b>	<b>5.00</b>	<b>\$1,607,070</b>	<b>\$10,964</b>	<b>(\$186,232,012)</b>	<b>(\$184,613,978)</b>	<b>5.00</b>	<b>\$2,099,704</b>	<b>\$10,345</b>	<b>(\$186,239,457)</b>	<b>(\$184,129,408)</b>	

Appendix: There are tables in the Appendix that show the categories where changes are requested and the impact on the FY 2012 base budget by program: Public Assistance, Energy and Commodities, and Early Childhood Services. Please see the item: Human and Community Services Funding Requests by Function and Category in the appendix.

### Sub-Program Details PUBLIC ASSISTANCE 01

#### Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	470.31	0.00	5.00	475.31	0.00	5.00	475.31	475.31
Personal Services	21,671,890	1,675,019	233,265	23,580,174	1,694,012	232,938	23,598,840	47,179,014
Operating Expenses	4,495,978	189,006	27,173	4,712,157	212,450	12,798	4,721,226	9,433,383
Grants	9,806,496	253,132	325,000	10,384,628	253,132	325,000	10,384,628	20,769,256
Benefits & Claims	212,416,090	166,831	(186,688,898)	25,894,023	166,831	(186,688,898)	25,894,023	51,788,046
Transfers	2,587,919	0	0	2,587,919	0	0	2,587,919	5,175,838
<b>Total Costs</b>	<b>\$250,978,373</b>	<b>\$2,283,988</b>	<b>(\$186,103,460)</b>	<b>\$67,158,901</b>	<b>\$2,326,425</b>	<b>(\$186,118,162)</b>	<b>\$67,186,636</b>	<b>\$134,345,537</b>
General Fund	22,647,240	1,044,264	117,588	23,809,092	1,059,342	110,950	23,817,532	47,626,624
State/Other Special	1,600,245	77,004	10,964	1,688,213	77,293	10,345	1,687,883	3,376,096
Federal Special	226,730,888	1,162,720	(186,232,012)	41,661,596	1,189,790	(186,239,457)	41,681,221	83,342,817
<b>Total Funds</b>	<b>\$250,978,373</b>	<b>\$2,283,988</b>	<b>(\$186,103,460)</b>	<b>\$67,158,901</b>	<b>\$2,326,425</b>	<b>(\$186,118,162)</b>	<b>\$67,186,636</b>	<b>\$134,345,537</b>

The Public Assistance Field Services Bureau:

- Administers Montana's Temporary Assistance to Needy Families (TANF) program, including the WoRC contracts for TANF work activity case management
- Administers the state Refugee Assistance program
- Determines eligibility for all Medicaid coverage groups
- Determines eligibility for the Supplemental Nutrition Assistance Program (SNAP) including the policies related to the CHIMES-EA payment and eligibility system and other systems.

The Public Assistance Field Services Bureau provides eligibility services to clients for Montana's Temporary Assistance to Needy Families (TANF) program, Refugee Assistance program, Supplemental Nutrition Assistance Program (SNAP), over 40 Medicaid programs, and all Healthy Montana Kids (HMK) programs across the state.

#### Office of Public Assistance Staff

There are 410.31 FTE, including 42 supervisors, 16 county directors, and 352.31 staff working on eligibility in OPAs throughout the state. In addition, there are 18.5 FTE training, monitoring, scanning, and assisting OPAs throughout the state.

#### Increases and Decreases to the HCSD Budget

Increases in personal services for the biennium include:

- About \$3.0 million in statewide present law adjustments for personal services that is the net of about \$4.9 million total funds offset by about \$1.9 million in vacancy savings
- About \$0.4 million total funds in a present law request for overtime, holiday, and differential pay adjustments that must be requested in full each biennium
- About \$0.6 million total funds in a new proposal to reinstate 5.00 FTE

Increases for operations and program support for the biennium include:

- Nearly \$1.8 million in present law requests including about:
  - \$0.6 million total funds in operations for private lease agreements

- \$0.8 million federal funds for established refugee, child care and TANF programs
- About \$9.2 million in new proposals for federal TANF funds of about:
  - \$0.65 million for TANF education and after school programs
  - \$8.5 million to increase TANF benefits

The decreases are primarily related to the removal of SNAP benefits.

The budget changes are reflected by category in the following figure and are discussed in the following three sections. Areas containing new proposals are highlighted.

Supplemental Nutrition Assistance (SNAP) Training and Support			
Fund Name	FY 2012	FY 2014	FY 2015
General Fund	\$466,713	\$515,428	\$515,520
Education and Training 50% Match	187,683	207,273	207,310
Education and Training 100% Match	264,395	291,991	292,045
SNAP Administration 50% Match	935,696	1,033,360	1,033,548
	\$1,854,487	\$2,048,052	\$2,048,423

Whether the benefits are statutorily approved or not, the department must still provide the federally required SNAP education and training programs. The figure shows the remaining HB 2 budget and the use of general fund.

SNAP education and training services include a personal employment and training case manager, job skills training, soft skills training, work experience sites, referrals, and supportive services. The division served 3,057 individuals in FY 2012 and estimates that it would serve the same number each year through FY 2015.

The division is also federally required to support a nutrition education program and maintains a contract with Montana State University Extension Service at just over \$815,000 each year for this service. The program is entirely federal funds. The program can be viewed at: <http://www.msueextension.org/nep/>

*Temporary Assistance for Needy Families (TANF)*

The requests to increase TANF benefits and services are funded through the TANF block grant. The block grant is a capped grant that is estimated to be about \$38 million for each year of the biennium. It also has a major expenditure requirement attached to it called “maintenance of effort” or “MOE”, through which states must expend state and local resources. The general fund for TANF MOE is projected at about \$13.1 million each year.

There are additional details in the TANF Pocket Guide at: [http://leg.mt.gov/css/fiscal/fiscal\\_pocket\\_guides.asp](http://leg.mt.gov/css/fiscal/fiscal_pocket_guides.asp)

The status of the TANF Block Grant

The TANF block grant is estimated to have a balance of \$35.0 million at the end of FY 2013. If the state receives the estimated \$38.0 million in FY 2014 and FY 2015 and all TANF requests are approved, it should have an ending balance of about \$19.2 million at the end of the biennium.

The TANF and MOE tables are located in the Appendix.

**LFD  
COMMENT**

Prior to addressing present law or new proposals related to TANF funds, the legislature may wish to keep the following in mind:

- TANF funds, if unused, continue forward
- HCSD manages the TANF block grant throughout the biennium to balance available funds between programs, services, and benefits. Major increases or decreases in TANF caseloads could drive adjustment in the TANF block grant uses
- The legislature:
  - Discusses and approves or disapproves HCSD recommendations for the use of TANF funding
  - Removes, adds, or leaves TANF funding in place for existing programs
  - Recommends and/or implements new uses for TANF funding and the TANF MOE general fund
  - Could designate any request or base funding for programs as one-time-only or restricted
  - Cannot reduce the amount of TANF MOE funding below the federally required 75.0% without HCSD incurring financial penalties that would reduce the TANF block grant

Note: The 2011 legislature implemented a “parents as scholars” program through HB 384 at \$150,000 TANF and/or MOE funds each year of the biennium. The program is presently reflected on the TANF tracking sheet in the benefits category. The program allows the qualified applicants to maintain TANF benefits because their education meets the work requirements. The first statutorily required report was presented in June. Since it will have been over half a year, the legislature may wish to request an update during session.

The link to the June report is: <http://leg.mt.gov/content/Committees/Interim/2011-2012/Children-Family/Meeting-Documents/June-2012/june2012-tanf-parents-as-scholars-report.pdf>

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,456,580					2,476,362
Vacancy Savings					(965,124)					(965,913)
Inflation/Deflation					(2,621)					2,219
Fixed Costs					(85,099)					(85,135)
<b>Total Statewide Present Law Adjustments</b>		<b>\$909,176</b>	<b>\$13,460</b>	<b>\$481,100</b>	<b>\$1,403,736</b>		<b>\$918,616</b>	<b>\$12,361</b>	<b>\$496,556</b>	<b>\$1,427,533</b>
DP 20102 - Family Economic Security and Employment	0.00	0	0	175,146	175,146	0.00	0	0	175,146	175,146
DP 20104 - Child Care for Working Caretaker Relatives	0.00	0	0	163,831	163,831	0.00	0	0	163,831	163,831
DP 20105 - Refugee Program	0.00	0	0	80,986	80,986	0.00	0	0	80,986	80,986
DP 20300 - Required Overtime/Holiday/Differential Pay	0.00	63,323	20,959	99,281	183,563	0.00	63,323	20,959	99,281	183,563
DP 20501 - Private Lease Adjustment	0.00	71,765	42,585	162,376	276,726	0.00	77,403	43,973	173,990	295,366
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$135,088</b>	<b>\$63,544</b>	<b>\$681,620</b>	<b>\$880,252</b>	<b>0.00</b>	<b>\$140,726</b>	<b>\$64,932</b>	<b>\$693,234</b>	<b>\$898,892</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,044,264</b>	<b>\$77,004</b>	<b>\$1,162,720</b>	<b>\$2,283,988</b>	<b>0.00</b>	<b>\$1,059,342</b>	<b>\$77,293</b>	<b>\$1,189,790</b>	<b>\$2,326,425</b>

DP 20102 - Family Economic Security and Employment – The executive requests federal TANF funds to maintain the program authority at the level approved in the 2011 legislative session.

<b>LFD COMMENT</b>	HCSD notes the major goals are to provide financial literacy education, asset development assistance, and education/training to assist clients in obtaining higher wages. They report 458 individuals were served in the economic security programs in FY 2011 and 345 in FY 2012. The TANF employment program served 119 clients in FY 2012.
--------------------	---

DP 20104 - Child Care for Working Caretaker Relatives – The executive requests federal TANF funds to maintain the authority at the level approved in the 2011 legislative session to provide child care assistance to income limited relatives who have taken over the custody of TANF eligible children and remain employed.

<b>LFD COMMENT</b>	HCSD reports that 160 individuals were served in FY 2011 and 139 in FY 2012. The major program goal is: “To provide services and support to stabilize families and meet their basic needs, while encouraging employment for eventual self-sufficiency and support for working relative caretakers.”
--------------------	---

DP 20105 - Refugee Program – The executive requests increased federal appropriation authority to be able to expend the additional grant award amounts available under the Refugee Social Services and Refugee Cash and Medical Assistance Programs. The refugee program supports resettlement of refugees, providing medical interpretation services and individual support to assist refugees and their families to resettle in Montana, and to assist them in attaining an employment readiness position and employment as quickly as possible.

DP 20300 - Required Overtime/Holiday/Differential Pay – The executive requests funding to restore overtime, holidays worked, differential pay, and the corresponding benefits for the Human & Community Services Division. These expenditures are zero-based and must be requested in full each biennium. Overtime for truck drivers is related to the delivery food across the state; OPA staff working overtime on the changeover of the new CHIMES-EA eligibility system and high caseloads, and child care staff to work in the quality program across the state.

DP 20501 - Private Lease Adjustment – The executive requests funding to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

**LFD COMMENT** The division supports 36 offices in 26 towns across the state. A large part of the increase is due to acquiring new space in Wolf Point, moving into a new OPA office in Lame Deer, and increased rent due to relocation of some Helena employees. There is greater detail at the agency level.

**New Proposals**

Sub Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20123 - TANF MOST After School Program										
01	0.00	0	0	125,000	125,000	0.00	0	0	125,000	125,000
DP 20301 - Public Assistance										
01	5.00	117,588	10,964	131,886	260,438	5.00	110,950	10,345	124,441	245,736
DP 20800 - TANF Payment Standard FPL Adjustment										
01	0.00	0	0	1,732,885	1,732,885	0.00	0	0	1,732,885	1,732,885
DP 20801 - TANF Eligibility Standard FPL Adjustment										
01	0.00	0	0	2,520,251	2,520,251	0.00	0	0	2,520,251	2,520,251
DP 20803 - TANF Education Support										
01	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 20804 - SNAP Benefits Statutory Appropriation (Requires Legislation)										
01	0.00	0	0	(190,942,034)	(190,942,034)	0.00	0	0	(190,942,034)	(190,942,034)
<b>Total</b>	<b>5.00</b>	<b>\$117,588</b>	<b>\$10,964</b>	<b>(\$186,232,012)</b>	<b>(\$186,103,460)</b>	<b>5.00</b>	<b>\$110,950</b>	<b>\$10,345</b>	<b>(\$186,239,457)</b>	<b>(\$186,118,162)</b>

DP 20123 - TANF MOST After School Program – The Governor requests federal TANF funding to enhance the Montana Out of School Time (MOST) after school program for TANF eligible children. Funding would support after school program grants of \$5,000 for operational expenses. Recipients would provide positive outcomes from supervised activities, educational mentoring, and character building in a safe setting. This funding would support an additional 25 afterschool facilities with \$5,000 grants per year.

DP 20301 - Public Assistance – The Governor requests 5.00 FTE and associated funding in order to maintain the existing level of services in the Offices of Public Assistance (OPA). The 2011 Legislature authorized 5.00 FTE one-time-only (OTO) positions in the HCSD to assist with determining eligibility for the Healthy Montana Kids (HMK) program. This request is to restore these OPA positions to assist in the processing of applications for public assistance including SNAP, TANF, Medicaid, and HMK.

**LFD COMMENT** FTE Funding  
The 2011 legislature designated the funding of 5.00 FTE as restricted and OTO “to allow for discussion of the need for continued full time staff in the 2013 session.” As noted in the agency overview, eligibility services could be influenced by the Patient Protection and Affordable Care Act (ACA).  
HCSD reported 50 vacant positions at the time of budget development in early July. The cost to fully fund these positions is over \$2.3 million in both FY 2014 and FY 2015. The 5.00 OTO requested positions, were included in the 29 eligibility positions listed among the 50 vacant positions.  
HCSD showed 27 vacant positions on December 14, 2012:  

- o 3 eligibility assistants
- o 5 either associated with human services or corrections, social services, and budget support
- o 19 social services specialists

**LFD  
COMMENT**

Three eligibility positions were advertised as of December 14, 2012 for Bozeman, Wolf Point, and Livingston respectively. No positions for social service specialists were advertised in state job listings. According to HCSD there are three more eligibility positions and one county director position that would be advertised shortly.

There are nearly 426.00 FTE eligibility positions including supervisors and county directors, who also do eligibility work, out of the 502.31 FTE included in the base budget position list, which is funded at nearly \$25.3 million total funds for each year of the biennium.

While the requested positions could, as stated in the budget request, be necessary to assist with determining eligibility for the HMK program and timely processing of applications for public assistance including SNAP, TANF, Medicaid, and HMK, the legislature may wish to consider:

- Approving the 5.00 FTE as requested
- Approving the request using existing personal service authority for funding
- Approving the request with the designation of OTO and/or restricted to allow the next legislature to see if the additional funding for the five positions is needed at that time
- Not approving the request

DP 20800 - TANF Payment Standard FPL Adjustment – The executive requests federal TANF funds to adjust the payment standard to 33% of the 2011 federal poverty level (FPL) from the current level of 33% of the 2009 FPL. If approved the change would begin July 1, 2013.

**LFD  
COMMENT**

For this request and the following, expenditure calculations are based on the average number of families per month from July 2011 – June 2012. Detail will be provided for legislative discussion.

There is additional information about TANF eligibility and the standards of payment in the TANF Pocket Guide at: [http://leg.mt.gov/css/fiscal/fiscal\\_pocket\\_guides.asp](http://leg.mt.gov/css/fiscal/fiscal_pocket_guides.asp)

DP 20801 - TANF Eligibility Standard FPL Adjustment – The executive requests federal TANF funds to support increases in benefits associated with an adjustment increasing the eligibility standard to 30% of the 2011 FPL from the current level of 30% of the 2006 FPL.

DP 20803 - TANF Education Support – The Governor requests federal TANF funds to provide increased funding for the TANF Education Support program, which was funded with a one-time-only appropriation of \$100,000 per year by the 2011 Legislature. The program provides grants to Adult Education and Family Literacy Act (AEFLS) programs to offer adult basic education for TANF-eligible individuals working to improve their educational skills, obtain a high school diploma, or obtain general educational development (GED) certification.

**LFD  
COMMENT**

The 2011 Legislature addressed adult basic education with a restricted, one-time-only appropriation of \$100,000 TANF funds each year of the biennium, and noted “The department would report expenditures to the 2013 Legislature. . . the priority for funding must be given to adult basic education and programs or entities offering instruction and assistance during the months of June, July, and August.”

HCSD reports that five communities from the Bitterroot area, Missoula, Livingston, Bozeman, and Hardin served 158 individuals between February 1, 2012 and November 19, 2012. The amount spent in that time period was \$81,661 or about \$515 per individual if all funding went to benefits.

<b>LFD COMMENT CONT.</b>	<p>The legislature may wish to request a current overview of the program outcomes for clients served to date, goals for the program for the next biennium, and the timeframe for the program related to use of the additional funding and either:</p> <ul style="list-style-type: none"> <li>○ Approve the request as submitted</li> <li>○ Approve the full request with a designated amount to be spent in the three summer months</li> <li>○ Approve a continuation at an adjusted amount</li> <li>○ Assign a restricted designation to any approval to avoid a transfer of authority during the interim</li> </ul>
--------------------------	---

DP 20804 - SNAP Benefits Statutory Appropriation (Requires Legislation) - 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 \$190,942,034 in HB 2 each year of the 2015 biennium.

The executive requests a language appropriation: “If legislation authorizing a statutory appropriation for SNAP benefits is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$190,942,034 federal funds each year.”

**Sub-Program Details**

**ENERGY AND COMMODITIES 02**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	1,011,570	23,849	0	1,035,419	25,304	0	1,036,874	2,072,293
Operating Expenses	1,755,785	317,451	0	2,073,236	322,366	0	2,078,151	4,151,387
Equipment & Intangible Assets	0	28,000	0	28,000	90,000	0	90,000	118,000
Grants	2,657,085	70,000	0	2,727,085	20,000	0	2,677,085	5,404,170
Benefits & Claims	27,494,208	772,000	0	28,266,208	772,000	0	28,266,208	56,532,416
<b>Total Costs</b>	<b>\$32,918,648</b>	<b>\$1,211,300</b>	<b>\$0</b>	<b>\$34,129,948</b>	<b>\$1,229,670</b>	<b>\$0</b>	<b>\$34,148,318</b>	<b>\$68,278,266</b>
General Fund	56,746	0	0	56,746	0	0	56,746	113,492
State/Other Special	246,207	100,000	0	346,207	100,000	0	346,207	692,414
Federal Special	32,615,695	1,111,300	0	33,726,995	1,129,670	0	33,745,365	67,472,360
<b>Total Funds</b>	<b>\$32,918,648</b>	<b>\$1,211,300</b>	<b>\$0</b>	<b>\$34,129,948</b>	<b>\$1,229,670</b>	<b>\$0</b>	<b>\$34,148,318</b>	<b>\$68,278,266</b>

The Intergovernmental Human Services Bureau administers:

- 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

Increases of about \$2.4 million total funds for the biennium are all in present law including:

- Statewide present law adjustments of about \$41,000 total funds reflecting personal services increases of \$135,500 partially offset by about \$94,000 in vacancy savings and a small amount of inflation/deflation adjustments.
- About \$2.4 million total funds in present law requests:
  - \$2.2 million for weatherization and food distribution efforts
  - \$0.2 million for operating adjustments

Programs are primarily federally funded with some state special revenue provided via universal systems benefits funds which comes from consumer charges on utility bills and is passed on for energy assistance and weatherization activities. The budget increases are discussed in the following sections.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					66,991					68,507
Vacancy Savings					(43,142)					(43,203)
Inflation/Deflation					(6,378)					(1,689)
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$17,471</b>	<b>\$17,471</b>		<b>\$0</b>	<b>\$0</b>	<b>\$23,615</b>	<b>\$23,615</b>
DP 20106 - Weatherization and Other IHSB Increases	0.00	0	100,000	980,000	1,080,000	0.00	0	100,000	992,000	1,092,000
DP 20302 - IHSB Operating Adjustment	0.00	0	0	113,829	113,829	0.00	0	0	114,055	114,055
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$1,093,829</b>	<b>\$1,193,829</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$1,106,055</b>	<b>\$1,206,055</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$1,111,300</b>	<b>\$1,211,300</b>	<b>0.00</b>	<b>\$0</b>	<b>\$100,000</b>	<b>\$1,129,670</b>	<b>\$1,229,670</b>

DP 20106 - Weatherization and Other IHSB Increases – The Governor requests an increase in several funding sources to:

- Weatherize the maximum number of homes using available universal systems benefits (USB) state special revenue and Department of Energy (DOE) federal funding
- Increase grant authority to the level needed to maintain or replace an existing equipment that is due for replacement using funding associated with the Food Distribution Program on Indian Reservations (FDPIR) federal authority
- Assist individuals who are either homeless or on the verge of becoming homeless with increased Emergency Solutions Grant (ESG) authority

DP 20302 - IHSB Operating Adjustment – The executive requests federal funds to meet current and anticipated workloads necessary to provide increased monitoring and oversight of LIEAP and Weatherization programs as requested by the Legislative Audit Division.

The Combined Requests and the Amount of Increase to the Base			
Base amounts	FY 2012	SY 2014	SY 2015
Consultants and Professional Services	\$65,023	\$113,675	\$115,901
Contracts with Non Profits	795,558	200,000	200,000
Autos and Trucks	0	28,000	90,000
Buildings and Grounds	5,455	2,000	0
Rent	5,268	4,000	4,000
Operations	3,776	4,154	4,154
Grants to Local Agencies	\$969,132	70,000	20,000
Social Assistance	<u>25,830,756</u>	<u>772,000</u>	<u>772,000</u>
<b>Total</b>	<b>\$27,674,968</b>	<b>\$1,193,829</b>	<b>\$1,206,055</b>

The figure shows the combined components of the two requests.

Funding for the requests include state special revenue from the universal systems benefits and federal funding from food distribution funds, emergency shelter (HUD) funds, and weatherization benefits.

### Sub-Program Details

#### CHILD CARE – EARLY CHILDHOOD SERVICES BUREAU - 04

#### Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	15.00	0.00	0.00	15.00	0.00	0.00	15.00	15.00
Personal Services	868,686	(29,639)	0	839,047	(28,263)	0	840,423	1,679,470
Operating Expenses	1,142,033	119,113	0	1,261,146	120,595	0	1,262,628	2,523,774
Grants	6,964,916	0	1,000,000	7,964,916	0	1,000,000	7,964,916	15,929,832
Benefits & Claims	33,060,014	600,000	489,482	34,149,496	1,016,000	988,754	35,064,768	69,214,264
<b>Total Costs</b>	<b>\$42,035,649</b>	<b>\$689,474</b>	<b>\$1,489,482</b>	<b>\$44,214,605</b>	<b>\$1,108,332</b>	<b>\$1,988,754</b>	<b>\$45,132,735</b>	<b>\$89,347,340</b>
General Fund	8,024,366	7,607	1,489,482	9,521,455	7,607	1,988,754	10,020,727	19,542,182
State/Other Special	832,582	0	0	832,582	0	0	832,582	1,665,164
Federal Special	33,178,701	681,867	0	33,860,568	1,100,725	0	34,279,426	68,139,994
<b>Total Funds</b>	<b>\$42,035,649</b>	<b>\$689,474</b>	<b>\$1,489,482</b>	<b>\$44,214,605</b>	<b>\$1,108,332</b>	<b>\$1,988,754</b>	<b>\$45,132,735</b>	<b>\$89,347,340</b>

#### Sub-Program Description

The Early Childhood Services Bureau (ECSB):

- 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

#### Increases and Decreases to the ECSB Budget

Increases of about \$3.3 million total funds for the biennium include:

- About \$1.8 million total funds in present law requests for about:
  - \$1.6 million for the child and adult care food program
  - \$0.2 million for operating adjustments
- About \$3.5 million total funds for new proposals requesting a 2% provider rate increase and early childhood education.

There is a budget reduction in statewide present law adjustments reflecting personal services increases of \$12,801 that are offset by a reduction of \$69,938 in vacancy savings. There is a \$4,690 increase for inflation/deflation adjustments.

#### Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					5,324					6,757
Vacancy Savings					(34,963)					(35,020)
Inflation/Deflation					1,517					3,173
<b>Total Statewide Present Law Adjustments</b>		<b>(\$518)</b>	<b>\$0</b>	<b>(\$27,604)</b>	<b>(\$28,122)</b>		<b>(\$518)</b>	<b>\$0</b>	<b>(\$24,572)</b>	<b>(\$25,090)</b>
DP 20206 - Child and Adult Care Food Program Caseload	0.00	0	0	600,000	600,000	0.00	0	0	1,016,000	1,016,000
DP 20303 - ECSB Operating Adjustment	0.00	8,125	0	109,471	117,596	0.00	8,125	0	109,297	117,422
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$8,125</b>	<b>\$0</b>	<b>\$709,471</b>	<b>\$717,596</b>	<b>0.00</b>	<b>\$8,125</b>	<b>\$0</b>	<b>\$1,125,297</b>	<b>\$1,133,422</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,607</b>	<b>\$0</b>	<b>\$681,867</b>	<b>\$689,474</b>	<b>0.00</b>	<b>\$7,607</b>	<b>\$0</b>	<b>\$1,100,725</b>	<b>\$1,108,332</b>

DP 20206 - Child and Adult Care Food Program Caseload – The executive requests an increase in federal funds for the Child and Adult Care Food Program, a USDA entitlement program. This request includes a 2.6% annual increase in USDA meal reimbursement payments and a 0.5% annual increase in the number of meals served.

<b>LFD COMMENT</b>	This program finished FY 2012 with a surplus of about \$172,000 from its appropriation of \$11.2 million. If the legislature opts to approve the request, it may want to consider a restricted designation to avoid the transfer of funds to other uses over the interim.
--------------------	---

DP 20303 - ECSB Operating Adjustment – The Governor requests increased funding to the Head Start program and the Early Childhood Comprehensive program for consultants and professional services to meet system enhancements required by the Early Childhood Comprehensive Systems (ECCS) grant. The increase would be split between the two programs at about \$58,700 each.

<b>LFD COMMENT</b>	According to HCSD, there are two grants. The Head Start State Collaboration Grant was awarded with the requirement of a full time staff to collaborate across services such as the Child and Adult Care Food Project, Early Childhood Comprehensive Systems, Early Learning Council, and Tribal School Readiness Teams. The Early Childhood Comprehensive Systems Grant (ECCS) was awarded with the requirement of a full time staff to perform the functions of collaboration with all services in early childhood as well as to coordinate the Best Beginnings Advisory Council.
--------------------	--

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20107 - Early Childhood Education Grant Program											
04	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000	
DP 20901 - PRI Child Care											
04	0.00	489,482	0	0	489,482	0.00	988,754	0	0	988,754	
<b>Total</b>	<b>0.00</b>	<b>\$1,489,482</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,489,482</b>	<b>0.00</b>	<b>\$1,988,754</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,988,754</b>	

DP 20107 – Early Childhood Education Grant Program – This funding request would improve the quality of early childhood education by providing assistance in the form of grants and early childhood school readiness functions.

DP 20901 - PRI Child Care – The Governor requests an increase in general fund authority for a 2% provider rate increase across the biennium for child care providers.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	369.15	369.15	382.65	382.65	369.15	382.65	13.50	3.66%
Personal Services	18,606,388	19,002,027	20,721,744	20,744,459	37,608,415	41,466,203	3,857,788	10.26%
Operating Expenses	5,601,408	5,652,448	5,752,728	5,764,356	11,253,856	11,517,084	263,228	2.34%
Equipment & Intangible Assets	32,220	14,240	32,220	32,220	46,460	64,440	17,980	38.70%
Grants	7,181,939	6,338,025	7,181,939	7,181,939	13,519,964	14,363,878	843,914	6.24%
Benefits & Claims	29,832,885	32,142,537	32,470,486	33,744,883	61,975,422	66,215,369	4,239,947	6.84%
Debt Service	1,527	130,912	1,527	1,527	132,439	3,054	(129,385)	(97.69%)
<b>Total Costs</b>	<b>\$61,256,367</b>	<b>\$63,280,189</b>	<b>\$66,160,644</b>	<b>\$67,469,384</b>	<b>\$124,536,556</b>	<b>\$133,630,028</b>	<b>\$9,093,472</b>	<b>7.30%</b>
General Fund	31,865,778	33,318,418	35,389,865	36,419,876	65,184,196	71,809,741	6,625,545	10.16%
State Special	2,278,381	2,604,754	2,278,381	2,278,381	4,883,135	4,556,762	(326,373)	(6.68%)
Federal Special	27,112,208	27,357,017	28,492,398	28,771,127	54,469,225	57,263,525	2,794,300	5.13%
<b>Total Funds</b>	<b>\$61,256,367</b>	<b>\$63,280,189</b>	<b>\$66,160,644</b>	<b>\$67,469,384</b>	<b>\$124,536,556</b>	<b>\$133,630,028</b>	<b>\$9,093,472</b>	<b>7.30%</b>

**Program Description**

The Child and Family Services Division (CFSD) administers child protective services, child abuse and neglect services, prevention services, domestic violence grants, and other programs designed to keep children safe and families strong. CFSD is composed of three bureaus and five regions that administer programs and are advised by Local Family Services Advisory Councils, which serve as the link between local communities and DPHHS. CFSD is the primary user of the statewide Child and Adult Protective Services (CAPS) computer system.

Statutory authority for the program is provided in Titles 41, 42, and 52, MCA, and 45 CFR, Parts 1355, 1356, 1357 and 1370.

**Program Highlights**

<b>Child and Family Services Division</b>	
<b>Major Budget Highlights</b>	
◆	The executive projects an increase in foster care and subsidized caseloads of about 5.8% and 8.2%, respectively - \$3.3 million general fund (\$5.2 million total funds)
◆	Initiatives in the executive budget include: <ul style="list-style-type: none"> <li>● The addition of 13.5 permanent FTE - \$0.9 million general fund (\$1.2 million total funds)</li> <li>● Provider rate increases of 2% each year - \$0.6 million general fund (\$0.9 million total funds)</li> <li>● Tribal foster care support - \$0.4 million general fund</li> <li>● Restoration of overtime and other personal services at about \$0.3 million general fund (about \$1.0 million total funds)</li> <li>● Vehicle and office lease costs of about \$0.2 million general fund (\$0.4 million total funds)</li> </ul>

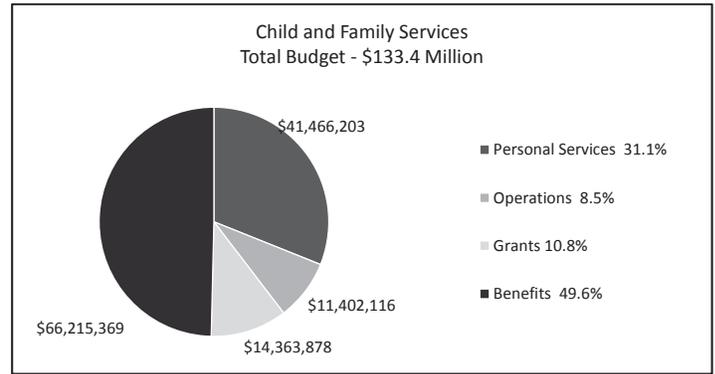
**Program Discussion**

*Technical Note*

A CFSD statutory appropriation of \$91,231 was mistakenly included in HB 2 in the Governor’s November 15, 2012 budget submission. It will be corrected in the December 15<sup>th</sup> version when the HB 2 state special revenue fund for adoption services will be decreased to increase statutory authority.

*Primary Functions*

The chart shows that the \$133 million biennium total funds budget primarily includes funding for personal services and grants and benefits. Programs serving foster care, subsidized adoption, subsidized guardianship, and a myriad of activities to support the division’s mission to keep children safe and support their families in reunification efforts comprise over 60.0% of the total budget. Personal services and operations costs support the field staff in five regional offices, centralized intake (all general fund), and administration.



CFSD Personal Services Hours Budgeted and Used				
	FTE	Hours Budgeted	Hours Used	Percent of Usage
Administration	8.50	18,479	14,802	80.1%
Central Intake	20.50	42,804	36,522	85.3%
Fiscal	17.50	36,540	32,853	89.9%
Programs	19.00	39,672	37,402	94.3%
Region 1	38.63	80,660	80,934	100.3%
Region 2	58.00	121,104	117,845	97.3%
Region 3	67.25	140,418	136,943	97.5%
Region 4	65.25	136,242	134,336	98.6%
Region 5	<u>74.17</u>	<u>154,867</u>	<u>159,928</u>	103.3%
	368.80	770,786	751,565	97.5%
FY 2012 Actual FTE	369.15			

*Budgeted Hours*

The following table shows the budgeted hours and the hours worked by CSED staff. When the actual personal services expenditure is translated into working hours it represents 368.80 FTE at 2,088 hours for 770,786 budgeted hours prior to the application of vacancy savings of 4%. The actual hours worked were 751,565. The difference of 19,221 hours reflects usage of 2.5% for hours budgeted that were not used, compared to the legislatively imposed 4% vacancy savings rate.

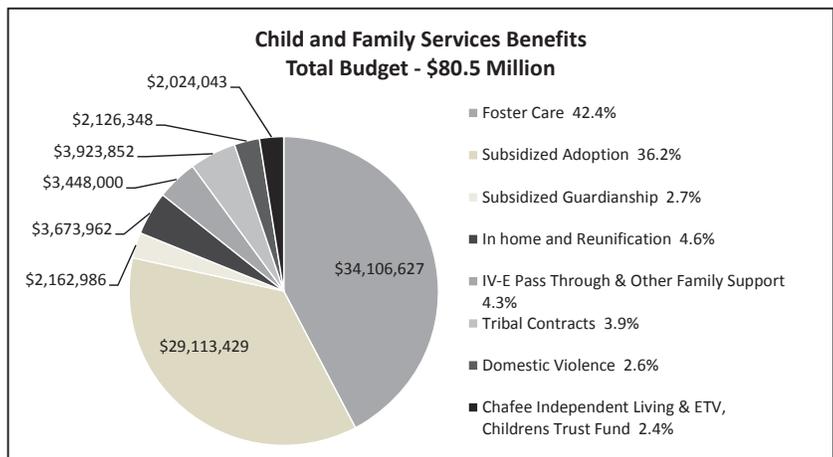
As the figure shows, the percentage of usage is higher in the regions, reflecting the division’s efforts to maintain caseworkers in the field. CFSD also addresses this concern with a request to make modified positions permanent. It is discussed in the new proposal section later in the write-up. (DP 30301)

There were two modified positions listed on the usage report outside of the HB 2 FTE that were working under budget amendment authority, one of whom worked the equivalent of just over 0.26 FTE and the other under 0.08 FTE. Both are also referenced in the new proposal.

Staff of the division received the general salary increase provided to other employees of the agency. For a further discussion, see the Summary section of this agency’s narrative.

*Benefits and Grants*

Benefits and Grants account for \$80.5 million of the entire budget. As the chart reflects, foster care, subsidized adoption, and subsidized guardianship represent 81.1% of the benefit and grant support budget.



Funding for grants and benefits serving children and families throughout the state ranges from in-home and reunifications services at 4.6% of the total benefits to grants for Tribal Contracts at 3.9%, with independent living and the Children’s Trust fund at 2.4%.

During the interim the executive made an adjustment related to benefits, grants, and services with the approval of \$110,000 general fund to the Zero the Three Project which addresses child abuse with a focus on shaken baby syndrome. It was part of the transfer of Medicaid benefits to other uses discussed in the agency overview. Funds were transferred from Medicaid Hospital Services benefits.

The FTE proposal and others related to CSED functions, benefits, and grants are discussed in the present law and new proposal sections later in the write-up.

*Caseload*

The following discussion relates to the Governor’s budget recommendations for foster care, subsidized adoption, and subsidized guardianship. The first part reflects the budget requests for benefit increases. This is followed by charts showing the historical changes in the number of foster care and subsidized adoption clients and related costs.

Child and Family Services Present Law and New Proposal Requests									
	FY 2014 Requests				FY 2015 Requests				
	FY 2012 Base	General Fund	Federal Funds	Total Funds	Increase over Base	General Fund	Federal Funds	Total Funds	Increase over Base
<u>Present Law Requests for Caseloads</u>									
Subsidized Guardianship	\$897,534	\$89,591	\$56,258	\$145,849	16.2%	\$128,999	\$79,453	\$208,452	23.2%
Subsidized Adoption	13,118,575	500,124	575,599	1,075,723	8.2%	766,423	877,072	1,643,495	12.5%
Foster Care	15,448,896	729,288	176,017	905,305	5.9%	1,088,638	143,751	1,232,389	8.0%
<u>New Proposals</u>									
Tribal Foster Care	15,448,896	200,000	0	200,000	1.3%	200,000		200,000	1.3%
2% Provider Rate Increases									
Subsidized Guardianship	897,534	23,746	28,261	52,007	5.8%	48,009	57,045	105,054	11.7%
Subsidized Adoption	13,118,575	2,686	1,823	4,509	0.0%	5,429	3,679	9,108	0.1%
Foster Care	15,448,896	153,014	69,218	222,232	1.4%	309,196	139,716	448,912	2.9%
In Home Services	206,225	<u>31,976</u>	<u>0</u>	<u>31,976</u>	<u>15.5%</u>	<u>64,591</u>	<u>0</u>	<u>64,591</u>	31.3%
Total Increase to Base		\$1,730,425	\$907,176	\$2,637,601		\$2,611,285	\$1,300,716	\$3,912,001	

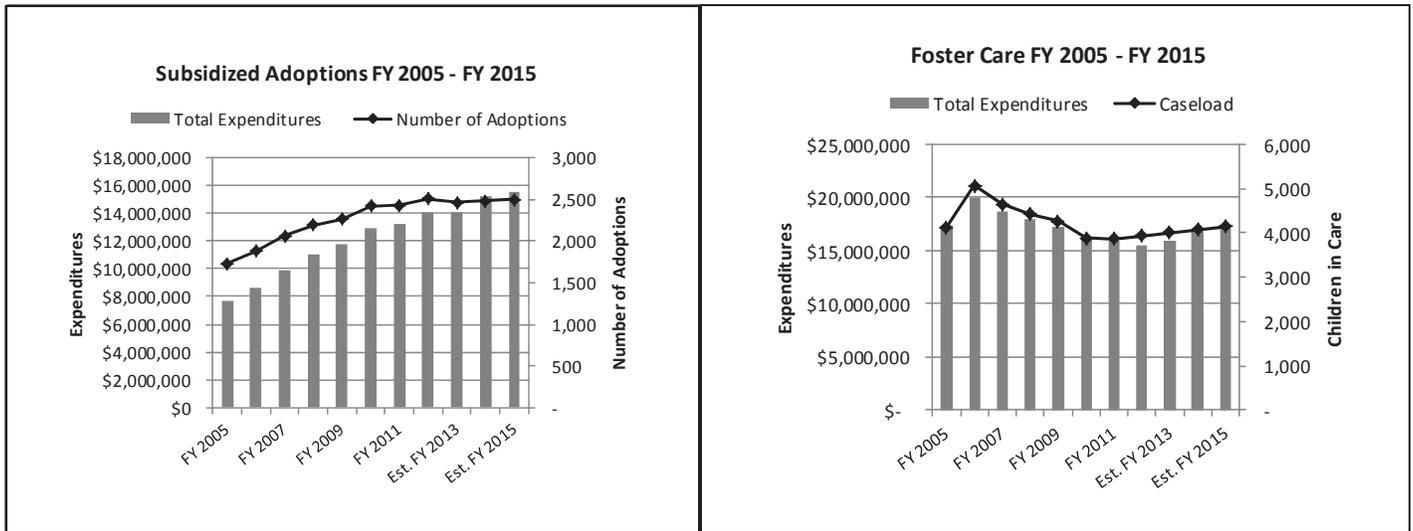
The executive addresses a gradual increase in projected benefits through FY 2015 and submits a budget that reflects increased efforts in family services supporting family reunification and efforts to unite children with relatives through subsidized adoption and guardianship as well as relative foster placements.

The efforts in family support and reunification, as well as kin-care, impact budget increases while costs related to foster care caseload don’t accelerate as quickly.

As shown in the following foster care caseload chart, the caseload and expenditures increased from FY 2005 to FY 2006 due to a surge of adult addictive behavior that was primarily due to methamphetamine, alcohol, and prescription drugs and the related impact on families. The expenditures gradually returned to the \$15.4 million level by FY 2012 and are projected to near \$17.0 million by FY 2015 with the general fund match at about \$9.0 million

The increase in subsidized adoption expenditures relates to the number of children available for adoption and the negotiated cost plans. The children enter with cost plans based upon the economy at that time and families generally negotiate a higher cost plan for subsidies than those children already in the program. Parents that are already in the program may also negotiate subsidies for a higher level.

Costs reflect both the efforts toward permanent homes and the increase in cost plans. Subsidies are negotiated at a rate that can be no more than \$10 a month less than the foster care rate. CFSD estimates that there is currently about 226 children available for adoption whose parents' rights have been terminated.



*Endowment For Children*

Within the permanent Children's Trust Fund, there is an Endowment for Children managed by the Board of Investments. It was launched in FY 2000 and later received a \$1.0 million general fund legislative appropriation to provide a permanent source of funding to support the programs and services related to child abuse and neglect, including family services programs operated by nonprofit or public community-based educational and service organizations. The fund can accept donations.

Investment income is reinvested into the corpus of the trust. The value of the endowment as of November 30, 2012 was about \$1.3 million. Interest is available for the trust fund board to spend. In FY 2012 the board distributed about \$155,000 for grants throughout the state, consultants and professional services, and a small amount of travel.

*Other*

Long Range Planning Information Technology

CFSD has a potential long range information technology (LRIT) project that was originally requested in HB 4 in the May 2007 Special Session called the Montana Adult and Child Welfare Information System (MACWIS). It would be a redesign to replace the antiquated Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. The Governor did not include the system in the 2011 session. The original budget for MACWIS 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 budget reductions, the Governor transferred \$3.4 million LRIT funds to the Medicaid Information System (MMIS \$2.9 million) and the system development supporting TANF and SNAP (food stamps) services(\$0.5 million) projects.

With the MACWIS funding on hold, CFSD continues its operations on the existing CAPS system and worked with the Technology Services Division (TSD) to address any federal program compliance issues. The federal Administration for Children and Families (ACF) is aware of the situation. While it has acknowledged the limitations of the CAPS system to easily comply with federal changes because it is programmed in the antiquated COBOL language, it is supporting CFSD reimbursement data.

Children and Families Interim Committee (SJR 30 Study)

Two bills have been proposed in response to the Senate Joint Resolution 30 Study of Childhood Trauma that if passed would:

- Create an Office of Child and Family Ombudsman and appropriate \$250,000 general fund to the Department of Justice for the biennium. Click to access the bill draft: LCCF04
- Seek Accreditation of Child Protective Services and appropriate \$100,000 general fund to DPHHS for Children and Family Services. Click to access the bill draft: LCCF05

There is also a proposal (presently LC0313.01) authorizing DPHHS to share limited information about an investigation into a report of child abuse or neglect with a mandatory reporter.

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Child & Family Services							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>General Fund</b>	<b>\$71,809,741</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,809,741</b>	53.7%		
<b>State Special Total</b>	<b>\$4,374,300</b>	<b>\$0</b>	<b>\$182,462</b>	<b>\$4,556,762</b>	3.4%		
02089 Child Abuse & Neglect Program	\$300,194	\$0	\$0	\$300,194	0.2%		
02209 Third Party Contributions-f.c.	\$3,860,262	\$0	\$0	\$3,860,262	2.9%		
02473 Assault Intervention & Trtmnt	\$196,444	\$0	\$0	\$196,444	0.1%		
02483 Adoption Services / Sa	\$0	\$0	\$182,462	\$182,462	0.1%	402-2-105	Direct
02496 Family Preservation Conference	\$17,400	\$0	\$0	\$17,400	0.0%		
<b>Federal Special Total</b>	<b>\$57,263,525</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,263,525</b>	42.9%		
03109 Tanf Benefits	\$3,953,300	\$0	\$0	\$3,953,300	3.0%		
03224 Access & Visitation Grt 93.597	\$196,490	\$0	\$0	\$196,490	0.1%		
03458 6901 - Chafee - Etv 93.599	\$338,198	\$0	\$0	\$338,198	0.3%		
03522 93.556 - Family Preservation	\$1,898,994	\$0	\$0	\$1,898,994	1.4%		
03526 93.643 - Child Justice	\$197,230	\$0	\$0	\$197,230	0.1%		
03529 Iv-e Guardianship	\$833,360	\$0	\$0	\$833,360	0.6%		
03530 6901-foster Care 93.658	\$15,165,978	\$0	\$0	\$15,165,978	11.3%		
03531 6901-subsidized Adopt 93.659	\$15,581,219	\$0	\$0	\$15,581,219	11.7%		
03532 93.669 - Child Abuse	\$329,305	\$0	\$0	\$329,305	0.2%		
03533 93.671 - Domestic Violence	\$1,695,410	\$0	\$0	\$1,695,410	1.3%		
03534 93.672 - Child Abuse Challenge	\$336,500	\$0	\$0	\$336,500	0.3%		
03536 93.674 - Iv-e Independent Livi	\$901,030	\$0	\$0	\$901,030	0.7%		
03593 03 Indirect Activity Prog 03	\$15,836,511	\$0	\$0	\$15,836,511	11.9%		
<b>Total All Funds</b>	<b>\$133,447,566</b>	<b>\$0</b>	<b>\$182,462</b>	<b>\$133,630,028</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>99.9%</b>	<b>0.0%</b>	<b>0.1%</b>				

As noted earlier, state special revenue (02483 Adoption Services) will be reduced by \$91,231 in the December 15<sup>th</sup> executive budget and statutory authority will be increased by a like amount.

The division is funded from a variety of sources. The funding and federal matching rates vary by function. Some costs are allocated among funding sources through a complex federally approved cost allocation plan that considers such factors as the results of a random moment in time study of social worker time spent on various activities.

General fund comprises 53.7% of the budget, with most used as matching funds to draw federal funds. General fund supports benefits, grants and functions serving foster care, subsidized adoptions, and family reunifications as well as safe, non-violent environments for children. The only major activity of the division that is supported entirely by the general fund is the centralized intake function at about \$2.4 million over the biennium for 22.00 FTE. Over \$26.6 million over the biennium supports the five regional offices across the state with 315.30 FTE, and about \$5.2 million

over the biennium supports the 45.35 FTE and operating costs of central administration.

Federal foster care and adoption subsidy funds comprise over 23.0%, and federal funds obtained through the cost allocation process comprise about 13%.

State special revenue primarily supports the cost of foster care from a wide variety of third party contributions such as parental payments, collections from child support enforcement for children in foster care, and supplemental security income (SSI) for eligible children. It represents 3.4% of the budget.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,878,074					1,902,526
Vacancy Savings					(819,371)					(820,324)
Inflation/Deflation					(19,508)					(10,881)
<b>Total Statewide Present Law Adjustments</b>		<b>\$844,247</b>	<b>\$0</b>	<b>\$194,948</b>	<b>\$1,039,195</b>		<b>\$988,102</b>	<b>\$0</b>	<b>\$83,219</b>	<b>\$1,071,321</b>
DP 30200 - Guardianship Caseload	0.00	89,591	0	56,258	145,849	0.00	128,999	0	79,453	208,452
DP 30201 - Subsidized Adoption Caseload	0.00	500,124	0	575,599	1,075,723	0.00	766,423	0	877,072	1,643,495
DP 30202 - Foster Care Caseload	0.00	729,288	0	176,017	905,305	0.00	1,088,638	0	143,751	1,232,389
DP 30300 - Required Overtime / Holiday / Differential Pay	0.00	329,713	0	153,884	483,597	0.00	329,713	0	153,884	483,597
DP 30400 - Guardianship FMAP Adjustment	0.00	15,612	0	(15,612)	0	0.00	15,873	0	(15,873)	0
DP 30401 - Subsidized Adoption FMAP Adjustment	0.00	52,962	0	(52,962)	0	0.00	58,258	0	(58,258)	0
DP 30402 - Foster Care FMAP Adjustment	0.00	(1,762)	0	1,762	0	0.00	126	0	(126)	0
DP 30500 - Private Lease Adjustment	0.00	29,347	0	14,921	44,268	0.00	59,907	0	30,458	90,365
DP 30803 - Leased Vehicles	0.00	42,624	0	23,666	66,290	0.00	42,624	0	23,666	66,290
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,787,499</b>	<b>\$0</b>	<b>\$933,533</b>	<b>\$2,721,032</b>	<b>0.00</b>	<b>\$2,490,561</b>	<b>\$0</b>	<b>\$1,234,027</b>	<b>\$3,724,588</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,631,746</b>	<b>\$0</b>	<b>\$1,128,481</b>	<b>\$3,760,227</b>	<b>0.00</b>	<b>\$3,478,663</b>	<b>\$0</b>	<b>\$1,317,246</b>	<b>\$4,795,909</b>

DP 30200 – Guardianship Caseload - The executive requests funding to cover projected increases in the number of finalized guardianships and the average cost per day. CFSD anticipates finalizing 29 guardianships by December 2012, which is a 16.0% increase over the current caseload.

DP 30201 - Subsidized Adoption Caseload – The executive requests funding to cover the projected increases in the number of finalized adoptions and the average cost per day in the Subsidized Adoption Program.

DP 30202 - Foster Care Caseload – The Governor requests funding to cover the projected increases in the number of children entering foster care. The request assumes a continuation of the trend for a decreasing number of children to be eligible for Federal IV-E funding.

DP 30300 - Required Overtime / Holiday / Differential Pay - This request would restore overtime, holidays worked, differential pay, and the corresponding benefits.

**LFD COMMENT** Overtime, holidays worked, differential pay, and the corresponding benefits are zero-based and must be requested in full each biennium. These costs are routinely requested each biennium along with retirement payouts and various taxes. This request also includes zero-based costs to restore compensatory time payouts that are primarily for the 24/7 child protective services provided throughout the state.

Child and Family Services Division Table for DP 30300 in Total Funds								
Category	Regional Office		Centralized Intake		Administration		2015 Biennim	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Overtime	\$98,575	\$98,575	\$36,637	\$36,637	\$764	\$764	\$135,976	\$135,976
Compensatory Time	263,072	263,072	5,481	5,481	7,422	7,422	\$275,975	\$275,975
Retirement / Other	25,532	25,532	3,325	3,325	578	578	\$29,435	\$29,435
Taxes / Other	32,295	32,295	4,206	4,206	731	731	\$37,232	\$37,232
Differential Pay	0	0	4,979	4,979	0	0	4,979	4,979
Total	\$419,474	\$419,474	\$54,628	\$54,628	\$9,495	\$9,495	\$483,597	\$483,597

Compensatory time payouts are legitimate expenses of any agency. However, they are not considered overtime, and are therefore not included as an ongoing expense in the budget base. Generally agencies pay these costs from vacancy savings or some other means, but if these costs are projected to be significant in the next biennium an agency may choose to request funding from the legislature.

The legislature may wish to have CFSD bring a separate proposal for the compensatory time and corresponding benefits.

DP 30400 - Guardianship FMAP Adjustment - This request would increase general fund by \$31,485 for the biennium with a corresponding decrease in federal funds.

**LFD COMMENT** This request and the following two requests contain an FMAP adjustment from the base year expenses at the FY 2012 FMAP rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds, and the FY 2015 rate of 33.78% state funds and 66.22% federal funds. The total cost for the programs would not change. A further discussion is in the Agency Summary section.

DP 30401 - Subsidized Adoption FMAP Adjustment - The executive requests a funding increase in general fund of \$111,220 for the biennium with a corresponding decrease in federal funds.

DP 30402 - Foster Care FMAP Adjustment – The executive requests funding decreases to the general fund of \$1,636 in FY 2014 with a corresponding increase in federal funds. There is an increase of \$126 general fund in FY 2015 with a corresponding decrease in federal funds.

DP 30500 - Private Lease Adjustment – The executive requests \$134,633 in total funds for the 2015 biennium to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

**LFD COMMENT** The request supports offices in 26 locations with two locations in Helena. The largest increases are in Wolf Point, Billings, Helena, Bozeman, and Hardin. There is further information in the agency overview.

DP 30803 - Leased Vehicles – The executive requests \$132,580 in total funds for the 2015 biennium to replace aged, high-mileage vehicles currently owned by the division with leased vehicles available through the State Motor Pool.

New Proposals

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30301 - Protective Service FTE & Operations										
03	13.50	480,919	0	152,407	633,326	13.50	448,213	0	141,233	589,446
DP 30805 - Tribal Foster Care										
03	0.00	200,000	0	0	200,000	0.00	200,000	0	0	200,000
DP 30901 - PRI - Foster Care										
03	0.00	153,014	0	69,218	222,232	0.00	309,193	0	139,716	448,909
DP 30902 - PRI - Subsidized Adoption										
03	0.00	23,746	0	28,261	52,007	0.00	48,009	0	57,045	105,054
DP 30903 - PRI - Subsidized Guardianship										
03	0.00	2,686	0	1,823	4,509	0.00	5,429	0	3,679	9,108
DP 30904 - PRI - In Home Services										
03	0.00	31,976	0	0	31,976	0.00	64,591	0	0	64,591
<b>Total</b>	<b>13.50</b>	<b>\$892,341</b>	<b>\$0</b>	<b>\$251,709</b>	<b>\$1,144,050</b>	<b>13.50</b>	<b>\$1,075,435</b>	<b>\$0</b>	<b>\$341,673</b>	<b>\$1,417,108</b>

DP 30301 - Protective Service FTE & Operations - The Governor requests \$1.22 million total funds to make 13.50 modified FTE positions permanent. 9.50 FTE would provide additional services in the field using a combination of increased child protection specialists (CPS), social service technicians, and caseworker visitation specialists. 4.00 FTE would increase centralized intake (CI) staff to handle increased call volume through the 24/7 child abuse hotline, and to provide appropriate supervision of CI to ensure reports are correctly categorized and prioritized.

**LFD COMMENT** These FTE would replace modified positions, two of which have been in the statewide human services system since FY 2008. They are listed as 0.75 FTE each in this request.

The need for these positions was discussed with the interim Children, Families, Health and Human Services Interim Committee. The committee also discussed the CFSD plan to address child welfare issues across the state and the increased workload in centralized intake due to statutory changes and an overall increase in reports of suspected abuse and neglect. The division and executive have responded via the modified FTE proposal for FY 2012 and FY 2013.

CFSD Modified Positions Requested July FY 2012			
	General	Federal	Total
FTE	Fund	Indirect	Funds
Approved in July FY 2012			
Centralized Intake 100% General Fund			
3.00	\$44,250	\$0	\$44,250
1.00	56,782	0	56,782
Regional Offices			
6.00	20,641	32,102	52,743
<u>2.00</u>	<u>30,011</u>	<u>46,674</u>	<u>76,685</u>
<u>12.00</u>	<u>\$151,684</u>	<u>\$78,776</u>	<u>\$230,460</u>

12.00 modified FTE were approved by the executive the end of FY 2012 with funding to come from any realized vacancy savings and/or any additional surplus in the Foster Care budget. The table shows the fund splits as submitted with the July request. The approved positions were primarily case aides to support the multiple needs of families ranging from transportation, family conferences, gathering critical documents, and working to unite children with kinship providers in areas of the highest referral base. This action was designed in part with a goal to free child protective workers to focus on investigations and referral assessments.

At the time of this writing, the division had half of the modified positions employed and was advertising for more. At the end of November there were six positions advertised; two for CI and four child protection specialists to serve Butte, Plentywood, Kalispell, and Missoula.

**LFD COMMENT  
CONT.**

On November 13, 2012 the division listed 31.20 FTE positions as vacant, 24 of which were social workers. One position has been vacant for over 3,000 hours, but most were vacant for 800 hours or less reflecting the turnover in the positions.

While child and family social worker salaries are listed at 93% of market, interim testimony indicated elements beyond wage alone drove turnover. Items primarily ranged from the nature of the job related to trauma, long hours, and time away from family to some personnel issues.

The legislature may wish to consider options related to tracking the success of the hiring project. The process could start during the 2013 session with:

- A report to the Health and Human Services Appropriations Subcommittee on vacancies, recruiting, and hiring noting placements in the field and related successes in achieving stable social worker retention
- Reports to the Children and Family and/or the Legislative Finance interim committees

DP 30805 - Tribal Foster Care – The executive requests \$200,000 in general fund for each year of the 2015 biennium to make non-Title IV-E billable services available to Tribal children living on the reservation and equalize services with Tribal children living off of the reservations.

**LFD  
COMMENT**

These funds are included in the Title IV-E general fund match.

The division notes that presently children in foster care living on reservations only have access to Title IV-E eligible foster care services and placements. Funding would expand any non-Title IV-E billable service including but not limited to counseling, respite care, dental and/or miscellaneous medical, case management, supervised visitation, special transportation.

The division presently provides Title IV-E contracts to the Tribes at about \$1.5 million federal funds and \$0.4 million general fund each year. This request would support the non-Title IV-E services.

However, as submitted, this request would be added to the \$7.8 million general fund that is match for the federal Title IV-E funds. If funds are unused they could be transferred to other purposes.

Should the legislature wish to approve the request, it may wish to consider:

- Designating the funding with a line-item appropriation so it can be tracked throughout the biennium
- Assigning the funding to another reporting level such as the one for Tribal contracts

DP 30901 - PRI - Foster Care – The Governor requests funding for a 2% provider rate increase in each year of the biennium for Foster Care services.

**LFD  
COMMENT**

This decision package and the three that follow request funding for a 2% provider rate increase. The table shows the funding per program. Calculations account for the caseload increase. All rate increases are considered part of the benefit structure and would be distributed through the social assistance account.

Provider rates for CFSD are presently at the FY 2009 rate. They support services ranging from foster care family at rates up to about \$20 per day to intensive therapeutic group home services at over \$195 per day. Subsidized adoption rates must be \$10.00 less than what a child would receive entering foster care.

Provider Rate Reque:	Child and Family Services Division FY 2014			Provider Rate Increase FH 2015		
	General Fund	Federal Funds	Total Funds	General Fund	Federal Fu	Total Funds
Foster Care	\$153,014	\$69,218	\$222,232	\$309,193	\$139,716	\$448,909
In-Home Services	31,976	0	31,976	64,591	0	64,591
Subsidized Adoption	23,746	28,261	52,007	48,009	57,045	105,054
Subsidized Guardians	2,686	1,823	4,509	5,429	3,679	9,108
Total	\$211,422	\$99,302	\$310,724	\$427,222	\$200,440	\$627,662

The rates associated with in-home services are funded with a capped federal grant. All services beyond the \$0.9 million federal grant, about \$2.1 million each year of the biennium, are supported with general fund. Consequentially, the 2% increase is general fund for this category. Provider rates are also discussed in the agency overview.

DP 30902 - PRI - Subsidized Adoption – The governor requests funding for a 2% provider rate increase in each year of the biennium for Subsidized Adoption services.

DP 30903 - PRI - Subsidized Guardianship – The governor requests funding for a 2% provider rate increase in each year of the biennium for Subsidized Guardianship services.

DP 30904 - PRI - In Home Services – The governor requests general fund for a 2% provider rate increase in each year of the biennium for In-Home Services.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	163.75	163.75	163.75	163.75	163.75	163.75	0.00	0.00%
Personal Services	8,591,298	8,896,798	9,500,208	9,521,307	17,488,096	19,021,515	1,533,419	8.77%
Operating Expenses	1,969,176	1,839,211	2,000,757	2,021,785	3,808,387	4,022,542	214,155	5.62%
Equipment & Intangible Assets	22,694	0	22,694	22,694	22,694	45,388	22,694	100.00%
Debt Service	0	59,014	0	0	59,014	0	(59,014)	(100.00%)
<b>Total Costs</b>	<b>\$10,583,168</b>	<b>\$10,795,023</b>	<b>\$11,523,659</b>	<b>\$11,565,786</b>	<b>\$21,378,191</b>	<b>\$23,089,445</b>	<b>\$1,711,254</b>	<b>8.00%</b>
General Fund	2,599,009	4,085,189	2,846,378	2,853,471	6,684,198	5,699,849	(984,349)	(14.73%)
State Special	745,938	1,613,380	818,346	825,577	2,359,318	1,643,923	(715,395)	(30.32%)
Federal Special	7,238,221	5,096,454	7,858,935	7,886,738	12,334,675	15,745,673	3,410,998	27.65%
<b>Total Funds</b>	<b>\$10,583,168</b>	<b>\$10,795,023</b>	<b>\$11,523,659</b>	<b>\$11,565,786</b>	<b>\$21,378,191</b>	<b>\$23,089,445</b>	<b>\$1,711,254</b>	<b>8.00%</b>

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 support owed by obligated parents. Program staff locates absent parents, identifies assets, establishes paternity, and ensures obligated parents maintain medical health insurance coverage for their dependent children. Child support payments are collected for families receiving public assistance and those not on assistance. Services are available to any applicant regardless of income level.

**Program Highlights**

<b>Child Support Enforcement Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The executive requests a total fund increase over the 2013 biennium of over \$1.8 million for present law adjustments that primarily include:                             <ul style="list-style-type: none"> <li>• About \$2.6 million for personal services increases that are offset by vacancy savings reductions of about \$0.8 million</li> <li>• Adjustments of about \$84,000 for inflation and a request for a private lease increase</li> </ul> </li> </ul>

**Program Discussion**

*FY 2012 through FY 2014 Funding Changes*

As shown in the introductory budget comparison table, there are substantial changes in general fund, state special revenue, and federal funds between FY 2012 and FY 2014. This is primarily due to a legislative audit finding, and a change at the federal level.

CSED receives federal incentive funds for meeting or exceeding the federal incentive performance measures and related benchmarks. During the interim legislative auditors noted that a change in accounting was necessary to allow CSED to spend its federal incentive awards in the federal funds category rather than state special revenue. CSED also received federal approval to use federal funds to match some general fund expenses.

*Staffing*

During the base year the division had a vacancy rate of about 4.8% compared to the legislatively imposed 4%, and as of November 2012 listed 11 vacant positions on the state's human resource system. Two were listed as vacant for over a year, two vacant for over half a year, and the balance vacant five months or less.

*Federal Benchmarks*

As mentioned, CSED receives federal incentive funds for meeting or exceeding the federal incentive performance measures and related benchmarks. The required federal benchmarks are listed in the table. The collections and benchmarks are based on the federal fiscal year, October through September.

Child Support Enforcement Division Achievement of Federal Benchmarks Federal Fiscal Years			
	Federal Yr. Ending 9/10	Federal Yr. Ending 9/11	Federal Yr. Ending 9/12
Child Support Collections	\$ 65,552,485	\$ 67,845,561	\$ 70,035,872
Maintain the IV-D paternity establishment percentage at 90 percent*	108.30	107.05	107.64
Maintain the percentage of cases with support orders at 80 percent	87.60	88.77	88.79
Increase the percentage of cases with current support collections	60.80	62.31	63.07
Increase the percentage of cases with arrears child support collections	65.90	65.94	66.58

\* Can exceed 100 percent due to federal definitions of the denominator

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Economic Security Services Branch Funding by Source of Authority 2015 Biennium Budget - Child Support Enforcement							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$5,699,849	\$0	\$0	\$5,699,849	24.7%		
State Special Total	\$1,643,923	\$0	\$0	\$1,643,923	7.1%		
02187 Child Support State Share	\$1,643,923	\$0	\$0	\$1,643,923	7.1%		
Federal Special Total	\$15,745,673	\$0	\$0	\$15,745,673	68.2%		
03269 Child Support Incentive	\$2,263,632	\$0	\$0	\$2,263,632	9.8%		
03570 93.563 - Child Support Ivd 66	\$13,482,041	\$0	\$0	\$13,482,041	58.4%		
Total All Funds	\$23,089,445	\$0	\$0	\$23,089,445	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

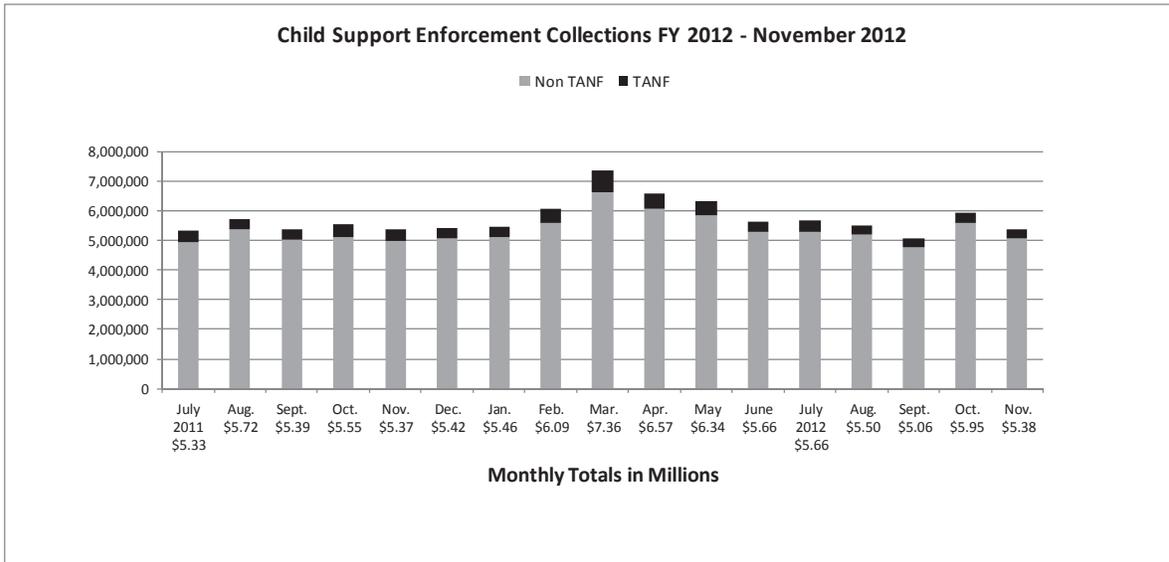
Child support activities are funded with a combination of about 25% general fund, 7% state special revenue, and 68% federal funds. The federal Title IV-D eligible expenditures are funded 66% with federal IV-D funds and the remaining expenditures are funded at 34% by a combination of general fund and state special revenues.

*State Special Revenue*

State special revenue is generated primarily from the retention of collections made on behalf of TANF participants and small amounts from applications, genetic testing, and federal tax offset fees. The funds recovered on behalf of TANF recipients are retained by the state at the state share of the federal FMAP rate (about 33.7% in FY 2014). There is no retained revenue from non-TANF collections, which is simply collected and sent on to the custodial parent.

In FY 2012, CSED collected over \$70.3 million on behalf of both TANF and non TANF children and their custodial parents or nearly \$5.9 million per month. CSED retained just over \$1.6 million as its share of the TANF collections, as reflected in the funding table state special revenue.

The figure reflects state efforts related to TANF and non-TANF collections. It shows collections by month for the FY 2012 base year and the first five months of FY 2013. The amounts from which CSED received a share of TANF collections are shown in black.



Collections on behalf of TANF participants directly relate to the statewide TANF caseloads but may not correlate on a month by month basis. For example, the early spring collections increased following a long period of higher caseloads driven by the economic downturn. Caseloads declined as summer progressed and by September were 393 lower than December. There is further TANF caseload discussion in the Human and Community Services Division in this volume.

*Federal Funds*

Federal revenue reflects the 66% federal match for eligible CFSD expenditures and the incentive funds that are received for meeting or exceeding the federal incentive performance measures and related benchmarks. The federal benchmarks are tied to state achievements for establishing paternity and support orders, collections on current and arrears support, and the cost effectiveness of the program.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,304,737					1,326,731
Vacancy Savings					(395,827)					(396,722)
Inflation/Deflation					6,818					12,546
<b>Total Statewide Present Law Adjustments</b>		<b>\$247,369</b>	<b>\$63,988</b>	<b>\$604,371</b>	<b>\$915,728</b>		<b>\$254,462</b>	<b>\$66,018</b>	<b>\$622,075</b>	<b>\$942,555</b>
DP 50001 - Private Lease Adjustment	0.00	0	8,420	16,343	24,763	0.00	0	13,621	26,442	40,063
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$8,420</b>	<b>\$16,343</b>	<b>\$24,763</b>	<b>0.00</b>	<b>\$0</b>	<b>\$13,621</b>	<b>\$26,442</b>	<b>\$40,063</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$247,369</b>	<b>\$72,408</b>	<b>\$620,714</b>	<b>\$940,491</b>	<b>0.00</b>	<b>\$254,462</b>	<b>\$79,639</b>	<b>\$648,517</b>	<b>\$982,618</b>

DP 50001 - Private Lease Adjustment - This present law adjustment requests \$64,826 in total funds for the 2015 biennium, including \$22,041 in state special revenue funds and \$42,785 in federal funds to pay the cost associated with lease adjustments in non-state owned buildings throughout the state.

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	39.25	39.25	39.25	39.25	39.25	39.25	0.00	0.00%
Personal Services	4,391,739	2,939,068	3,006,721	3,008,527	7,330,807	6,015,248	(1,315,559)	(17.95%)
Operating Expenses	825,838	901,304	894,005	891,251	1,727,142	1,785,256	58,114	3.36%
<b>Total Costs</b>	<b>\$5,217,577</b>	<b>\$3,840,372</b>	<b>\$3,900,726</b>	<b>\$3,899,778</b>	<b>\$9,057,949</b>	<b>\$7,800,504</b>	<b>(\$1,257,445)</b>	<b>(13.88%)</b>
General Fund	2,390,998	1,650,334	1,773,159	1,772,626	4,041,332	3,545,785	(495,547)	(12.26%)
State Special	555,031	376,426	406,138	406,095	931,457	812,233	(119,224)	(12.80%)
Federal Special	2,271,548	1,813,612	1,721,429	1,721,057	4,085,160	3,442,486	(642,674)	(15.73%)
<b>Total Funds</b>	<b>\$5,217,577</b>	<b>\$3,840,372</b>	<b>\$3,900,726</b>	<b>\$3,899,778</b>	<b>\$9,057,949</b>	<b>\$7,800,504</b>	<b>(\$1,257,445)</b>	<b>(13.88%)</b>

### Agency Description

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. 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>◆ Reduction in the budget relative to the 2013 biennium is driven primarily by \$1.2 million in the base year for termination pay. Other divisions transfer funds to this office to pay all termination costs department-wide.</li> </ul>

### Program Narrative

#### Personal Services

- The agency goal is to maintain pay at the 85th percentile of the Department of Administration midpoint
- Pay increases totaling \$0.9 million are included in the statewide present law adjustments, including \$0.2 million for longevity and the remainder for targeted increases
- There are currently three vacancies (2.5 FTE) in the Directors Office, with 0.5 FTE vacant for a year.
- Statutory vacancy savings of 4.0% are included in the statewide present law adjustment.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor. The general fund is the primary source of funding for this program.

Total Director's Office Funding by Source of Authority 2015 Biennium Budget						
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	\$3,545,785	\$0	\$0	\$3,545,785	45.5%	
State Special Total	812,233	-	-	812,233	10.4%	
Federal Special Total	3,442,486	-	-	3,442,486	44.1%	
Proprietary Total	-	-	-	-	0.0%	
Current Unrestricted	-	-	-	-	0.0%	
Other Total	-	-	-	-	0.0%	
<b>Total All Funds</b>	<b>\$7,800,504</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,800,504</b>		
Percent - Total All Sources	100.0%	0.0%	0.0%			

The Director’s office is supported by a combination of general fund (45%), state special revenue (10%) and federal special revenue (44%). The majority of the funds (77%) are applied to personal services. About half of the funds (45%) are received through indirect cost recoveries to the other divisions within DPHHS.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,390,998	2,390,998	4,781,996	134.86%	5,217,577	5,217,577	10,435,154	133.78%
Statewide PL Adjustments	(617,839)	(618,372)	(1,236,211)	(34.86%)	(1,316,851)	(1,317,799)	(2,634,650)	(33.78%)
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,773,159</b>	<b>\$1,772,626</b>	<b>\$3,545,785</b>		<b>\$3,900,726</b>	<b>\$3,899,778</b>	<b>\$7,800,504</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(1,259,738)					(1,257,859)
Vacancy Savings					(125,280)					(125,353)
Inflation/Deflation					(215)					(132)
Fixed Costs					68,382					65,545
<b>Total Statewide Present Law Adjustments</b>		<b>(\$617,839)</b>	<b>(\$148,893)</b>	<b>(\$550,119)</b>	<b>(\$1,316,851)</b>		<b>(\$618,372)</b>	<b>(\$148,936)</b>	<b>(\$550,491)</b>	<b>(\$1,317,799)</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>(\$617,839)</b>	<b>(\$148,893)</b>	<b>(\$550,119)</b>	<b>(\$1,316,851)</b>	<b>0.00</b>	<b>(\$618,372)</b>	<b>(\$148,936)</b>	<b>(\$550,491)</b>	<b>(\$1,317,799)</b>

Total Director's Office Funding by Source of Authority  
2015 Biennium Budget

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$3,545,785	\$0	\$0	\$3,545,785	45.5%
State Special Total	\$812,233	\$0	\$0	\$812,233	10.4%
02099 69010-vista-community Cost Shr	\$222,877	\$0	\$0	\$222,877	2.9%
02377 02 Indirect Activity Prog 04	\$589,356	\$0	\$0	\$589,356	7.6%
Federal Special Total	\$3,442,486	\$0	\$0	\$3,442,486	44.1%
03072 69010-cns-grants-vista	\$530,952	\$0	\$0	\$530,952	6.8%
03594 03 Indirect Activity Prog 04	\$2,911,534	\$0	\$0	\$2,911,534	37.3%
Total All Funds	\$7,800,504	\$0	\$0	\$7,800,504	100.0%
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>		

**Department of Public Health and Human Services  
Mission Statement  
2015 Biennium Executive Budget Submission**

The mission of DPHHS is to improve and protect the health, well-being, and self-reliance of all Montanans.

**Department of Public Health and Human Services  
Goals and Objectives by Branch and Division and Program  
2015 Biennium Executive Budget Submission**

**Contents**

**Director's Office**

**Operations Branch**

- Management and Fair Hearings Program
- Business and Financial Services Division
- Quality Assurance Division
- Technology Services Division

**Public Health and Safety Division**

**Economic Security Branch**

- Disability Employment and Transitions Division
- Human and Community Services Division
- Child and Family Services Division
- Child Support Enforcement Division

**Medicaid and Health Services Branch**

- Medicaid and Health Services Management Program
- Developmental Disability Division
- Health Resources Division
- Senior and Long Term Care Division
- Addictive and Mental Disorders Division

**Department of Public Health and Human Services  
Director's Office (DO)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

Government efficiency

**DO Goal:**

The Office provides leadership and direction for the agency, and oversees overarching goals including communication, research and analysis, human resources and legal services.

**DO Objectives:**

- Ensure personnel policies and processes are equitable and fair.
- Ensure continuity of operations through a qualified and trained workforce.
- Provide timely and accurate legal support, advice and consultation.
- Ensure the Director's Office is actively involved in shaping future policies for DPHHS.
- Assist top management in the analysis and development of policy.
- Ensure a department wide communication strategy.

**Measurements:**

Through review and analysis, the Director determines whether:

- Human resource processes strengthen the pool of qualified applicants for positions.
- Legal support to the Department in legislative activities is effective in areas including, but not limited to, development, passage and implementation of applicable laws, rules, and regulations.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	70.00	70.00	70.00	70.00	70.00	70.00	0.00	0.00%
Personal Services	3,337,291	3,838,919	3,807,293	3,815,513	7,176,210	7,622,806	446,596	6.22%
Operating Expenses	4,890,933	5,611,675	5,697,518	5,240,752	10,502,608	10,938,270	435,662	4.15%
Equipment & Intangible Assets	0	9,653	0	0	9,653	0	(9,653)	(100.00%)
Debt Service	5,676	5,674	5,676	5,676	11,350	11,352	2	0.02%
<b>Total Costs</b>	<b>\$8,233,900</b>	<b>\$9,465,921</b>	<b>\$9,510,487</b>	<b>\$9,061,941</b>	<b>\$17,699,821</b>	<b>\$18,572,428</b>	<b>\$872,607</b>	<b>4.93%</b>
General Fund	3,130,930	3,710,823	3,603,607	3,422,942	6,841,753	7,026,549	184,796	2.70%
State Special	644,152	691,070	718,111	699,188	1,335,222	1,417,299	82,077	6.15%
Federal Special	4,458,818	5,064,028	5,188,769	4,939,811	9,522,846	10,128,580	605,734	6.36%
<b>Total Funds</b>	<b>\$8,233,900</b>	<b>\$9,465,921</b>	<b>\$9,510,487</b>	<b>\$9,061,941</b>	<b>\$17,699,821</b>	<b>\$18,572,428</b>	<b>\$872,607</b>	<b>4.93%</b>

The Business and Financial Services Division (BFSD) provides leadership and guidance in the development and implementation of accounting policies and 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 proposed total fund increase when the 2015 and 2013 biennia are compared is primarily due to statewide present law adjustments of:                             <ul style="list-style-type: none"> <li>● About \$1.3 million total funds for personal services that are partially offset by about \$0.3 million in vacancy savings</li> <li>● \$1.0 million for fixed costs primarily associated with fees assessed by the Department of Administration</li> </ul> </li> <li>◆ A request to accommodate a change in funding for the Professional Development Center of just over \$118,000 total funds for the biennium is included</li> </ul>	

**Program Discussion**

The increase in personal services over the biennium is due to statewide present law adjustments mentioned above while the increases in operations cover a wide spectrum of fixed cost adjustments because the BFSD budget is funded for services it performs for the entire department.

*Fixed Costs*

BFSD is the centralized business center for the agency, and fixed costs annually comprise a large portion of operating expenditures. The majority of the expenditure increases for the 2015 biennium are associated with fixed costs assessed by the DOA and the legislative audit. The largest increase is related to the statewide budget and accounting systems (SABHRS) fees, which increase by over \$0.4 million in FY 2014 and \$0.2 million in FY 2015.

Two other increases include the legislative audit and the Professional Development Center training services. BFSDD is also responsible for the annual, agency-wide audit expense, which as with all agencies is a restricted, biennial appropriation assessed in the base year and expended over the biennium. The amount in this budget request is \$363,298. The executive is proposing a new fixed cost in the 2015 biennium for fees for the Professional Development Center training services purchased from the Department of Administration. Rather than have each agency pay for the courses it uses, the fixed cost would be charged to each agency based upon FTE, rather than usage. This request, which also reduces the budget for expenditures for courses in the base year, is included in a new proposal of just over \$110,000 total funds over the biennium. There is more detail in the new proposal section of this write-up, and a further discussion is included in the narrative for the Department of Administration.

*Personal Services*

The budget request for the 2015 biennium would support 70.00 FTE and eight programs. If approved, it would contain about \$3.8 million each year of the biennium for total personal services including costs for salaries, longevity, employee benefits, and health insurance.

The state accounting system listed 8.00 FTE (about 11% of the total FTE) as vacant in early December. It shows three positions have been vacant for over half a year and another one nearly so. Vacant positions include accounting services, a data control technician, payroll technician, and an administrative clerk. As of December 8, 2012 there was one full time position, an accountant, advertised for BFSDD.

The table shows the positions relative to hours worked and hours that were budgeted. The difference reflects a vacancy rate of just over 9% compared to the legislatively imposed rate of 4%.

Personal Services Hours Budgeted and Used				
Program	FTE	Hours		Percent of Usage
		Budgeted	Used	
Cost Allocation	4.00	8,352	7,585	90.8%
Fiscal Bureau	25.00	52,200	48,083	92.1%
Fiscal Policy	7.00	14,616	13,711	93.8%
Internal Support	6.00	12,528	11,297	90.2%
Office of Budget and Finance	4.50	9,396	7,073	75.3%
Payroll	3.00	6,264	6,264	100.0%
Reimbursement	11.50	24,012	23,153	96.4%
Support Services	9.00	18,792	15,613	83.1%
	70.00	146,160	132,779	90.8%

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Business & Financial Services Division						
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference Category
		Budgeted	Statutory Appropriation			
<b>General Fund</b>	\$7,026,549	\$0	\$0	\$7,026,549	37.8%	
<b>State Special Total</b>	\$1,417,299	\$0	\$0	\$1,417,299	7.6%	
02382 6901-02 Indrct Actvty Prog 06	\$1,417,299	\$0	\$0	\$1,417,299	7.6%	
<b>Federal Special Total</b>	\$10,128,580	\$0	\$0	\$10,128,580	54.5%	
03591 6901-03 Indrct Actvty Prog 06	\$10,128,580	\$0	\$0	\$10,128,580	54.5%	
<b>Total All Funds</b>	\$18,572,428	\$0	\$0	\$18,572,428	100.0%	
Percentage - Total of All Sources	100.0%	0.0%	0.0%			

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. As shown in the funding table, federal funding comprises 54.5% of the budget, general fund about 37.8%, and state special revenue about 7.6%.

The general fund contains cost allocated increases that are primarily due to the changes in the fixed costs and the agency-wide audit.

While general fund supports programs throughout BFSD via cost allocation, it is the primary support for the Facility Reimbursements Unit at \$1.2 million over the biennium. Facility reimbursement staff collects private funds, insurance, Medicaid, and Medicare funds that reimburse the general fund. Collections in FY 2012 were over \$14.6 million.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					628,642					637,202
Vacancy Savings					(158,640)					(158,980)
Inflation/Deflation					21,455					37,754
Fixed Costs					726,028					252,963
<b>Total Statewide Present Law Adjustments</b>		<b>\$453,771</b>	<b>\$71,524</b>	<b>\$692,190</b>	<b>\$1,217,485</b>		<b>\$273,106</b>	<b>\$52,601</b>	<b>\$443,232</b>	<b>\$768,939</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$453,771</b>	<b>\$71,524</b>	<b>\$692,190</b>	<b>\$1,217,485</b>	<b>0.00</b>	<b>\$273,106</b>	<b>\$52,601</b>	<b>\$443,232</b>	<b>\$768,939</b>

**New Proposals**

The “New Proposals” table summarizes all new proposals requested by the Governor. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

New Proposals	Program	FTE	Fiscal 2014				Fiscal 2015				
			General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
	DP 6101 - Professional Development Center Fee Allocation										
	06	0.00	18,906	2,435	37,761	59,102	0.00	18,906	2,435	37,761	59,102
	<b>Total</b>	<b>0.00</b>	<b>\$18,906</b>	<b>\$2,435</b>	<b>\$37,761</b>	<b>\$59,102</b>	<b>0.00</b>	<b>\$18,906</b>	<b>\$2,435</b>	<b>\$37,761</b>	<b>\$59,102</b>

DP 6101 - Professional Development Center Fee Allocation - The executive requests an increase for training services purchased from the Professional Development Center (PDC) of the Department of Administration. This request reflects the difference between the amount paid in the base for PDC services and a fixed cost allocation based on agency FTE counts. Starting in the 2015 biennium and beyond, the executive recommends funding the PDC as a fixed cost item. For a further discussion, see the narrative for the Department of Administration.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	115.73	115.73	117.73	117.73	115.73	117.73	2.00	1.73%
Personal Services	6,115,754	6,674,730	6,921,989	6,925,817	12,790,484	13,847,806	1,057,322	8.27%
Operating Expenses	1,628,479	1,641,313	1,763,410	1,708,520	3,269,792	3,471,930	202,138	6.18%
Equipment & Intangible Assets	525	0	525	525	525	1,050	525	100.00%
Grants	584,941	554,578	584,941	584,941	1,139,519	1,169,882	30,363	2.66%
Transfers	32,695	0	32,695	32,695	32,695	65,390	32,695	100.00%
<b>Total Costs</b>	<b>\$8,362,394</b>	<b>\$8,870,621</b>	<b>\$9,303,560</b>	<b>\$9,252,498</b>	<b>\$17,233,015</b>	<b>\$18,556,058</b>	<b>\$1,323,043</b>	<b>7.68%</b>
General Fund	2,313,244	2,332,972	2,551,731	2,554,836	4,646,216	5,106,567	460,351	9.91%
State Special	517,547	735,257	585,099	586,576	1,252,804	1,171,675	(81,129)	(6.48%)
Federal Special	5,531,603	5,802,392	6,166,730	6,111,086	11,333,995	12,277,816	943,821	8.33%
<b>Total Funds</b>	<b>\$8,362,394</b>	<b>\$8,870,621</b>	<b>\$9,303,560</b>	<b>\$9,252,498</b>	<b>\$17,233,015</b>	<b>\$18,556,058</b>	<b>\$1,323,043</b>	<b>7.68%</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 through respectful relationships. It does so through 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.

The QAD is part of the online publication of the full profile of the Department of Health and Human Services. For additional information, please refer to the agency profile.

### Program Highlights

<b>Quality Assurance Division Major Budget Highlights</b>	
◆	The executive requests a total fund increase over the 2013 biennium primarily for two adjustments: <ul style="list-style-type: none"> <li>• About \$1.4 million total funds in statewide present law adjustments offset by about \$0.6 million in vacancy savings</li> <li>• Nearly \$0.5 million total funds in two requests for a total of 2.00 FTE and associated operating costs</li> </ul>

**Program Discussion**

As shown in the introductory budget comparison, the majority of the budget increase is in personal services when the 2015 requested biennium budget is compared to the 2013 biennium final budget. These are due to statewide present law adjustments and a request for 2.00 FTE that are discussed in the personal services section, and new proposals.

The budget comparison table shows a transfer of \$32,695 for the base year and each year of the 2015 biennium. The transfer amount relates to state special revenue associated with the Marijuana Registry Program and is listed as a transfer as requested by the Department of Administration.

LFD  
COMMENT

According to QAD, the transfer funded the cost of a laminating printer that the Department of Administration (DOA) purchased. DOA staff agrees and confirmed that the laminating machine is fully paid for, as it was a one-time transfer from QAD for its part of the cost of the machine.

Since it was a one-time payment, the inclusion of the transfer in the 2015 biennium is unnecessary. The legislature may wish to eliminate the 2015 biennium amounts.

Additionally, the \$25,000 amount that QAD included in operating expenses for marijuana registry printing and graphics for both years of the 2015 biennium remains the same as the 2012 budgeted amount. However, that amount was appropriated by the 2013 Legislature to cover funding for the height of the marijuana registry program. Registered cardholders have dropped from 31,522 in May of 2011 to about 8,404 by November, 2012 and DPHHS implemented an administrative rule change to adjust application fees due to this impact. Since the November election did not repeal the present law, the entire \$25,000 may not be needed in the medical marijuana program as the number of registry cards may be less. There is additional discussion in the Medical Marijuana section.

The legislature may want to request a detailed report when discussing the appropriation for QAD.

*Personal Services*

The budget request for the 2015 biennium would support 117.73 FTE and 28 programs with budgets ranging from a high of about \$2.0 million down to a few thousand dollars. If the budget is approved, it would contain just under \$7.0 million each year of the biennium for the total salaries including costs for longevity, employee benefits, and health insurance.

As mentioned earlier, employees work across the state in a myriad of positions supporting compliance, licensing, investigations of fraudulent or abusive practices, independent audits for DPHHS programs, monitoring and evaluation of programs, helping reduce Medicaid costs by identifying insurers or parties responsible for paying a beneficiary’s medical expenses in Medicaid cases, operating the Montana marijuana registry, and many other tasks to ensure the integrity of DPHHS programs. There is a more detailed list in the appendix section.

The state accounting system listed 11.50 FTE (about 10% of the total FTE) as vacant in early December. It shows that positions have been vacant ranging from one position since October 2009 to 4.00 FTE over four months and several for over two months. Vacant positions include facility surveyors, compliance specialists, an insurance claims examiner, an eligibility technician, and an occupational health safety specialist.

QAD Personal Services Hours Budgeted and Used				
Program	FTE	Hours Budgeted	Hours Used	Percent of Usage
Administration	3.00	6,264	6,262	100.0%
Audit / Program Compliance	39.00	81,432	74,917	92.0%
Audit	7.00	14,616	14,122	96.6%
Certification	32.00	66,816	58,903	88.2%
Licensure	<u>34.73</u>	<u>72,517</u>	<u>67,961</u>	<u>93.7%</u>
	115.73	241,645	222,165	91.9%
FY 2012 Actual FTE	115.73			

The figure shows the positions relative to hours worked and hours that were budgeted. The difference reflects 19,480 unused hours in the base year or a vacancy rate of just over 8% compared to the legislatively imposed rate of 4%.

As of December 3, 2012 there was one position advertised for QAD.

**LFD  
COMMENT**

The legislature may wish to consider a discussion about vacancies with the QAD director concerning the relationship of the QAD positions that have been vacant for an extended period, the unused budgeted hours in FY 2012, and the Governor's request for 2.00 new FTE.

As mentioned, the QAD vacant position report for December, 3, 2012 shows one position open since 2009 and four have been vacant for four months or more. The legislature may wish to visit with QAD about reclassifying three current, vacant positions that have been open for a long period of time to be used for the Governor's request rather than enlarging the FTE total by 2.00.

The FTE request is in the new proposal section of this write-up.

*The Budget Request*

Part of the budget increase is associated with recovery audit contracts and related legislative action from the 2011 session. The executive had requested funding due to a federal requirement from part of the Affordable Care Act's larger strategy to address waste, fraud, and abuse in the health care system, called a recovery audit contract. The legislature addressed the approval of the executive request for \$276,050 total funds over the biennium to administer the recovery audit contract including operational costs and 1.00 temporary FTE to manage the program. The present request, DP 8002, would continue the recovery contract

The Montana Marijuana Program

The responsibility of monitoring the marijuana registry rests with QAD and the Montana Marijuana program. Registry fees cover the administrative cost of the registry.

The 2011 Legislature faced a growing marijuana industry when it convened for the 2011 session. The number of patients had grown from 428 in September of 2007 to 23,613 in September of 2010. In response to the growth, the legislature approved the Governor's request for restricted state special revenue over the biennium to support:

- The production and issuance of registration cards - \$59,240
- 3.50 FTE in anticipation of increased applications - \$160,643

Legislators also approved a one-time-only amount of \$300,000 over the biennium to support the anticipated increase in the marijuana registry.

However, the legislature implemented Senate Bill 423, which repealed Montana's Marijuana Act and set new requirements for the cultivation, manufacture for growth, manufacture, and possession of marijuana for use by people with debilitating medical conditions. The implementation of SB 423 impacted the marijuana industry and the need for the legislative appropriation. The number of patients decreased from 23,613 in September of 2010 to 8,404 for November of 2012. As a result, the above appropriations went unused. The most recent statistics may be found at: <http://www.dphhs.mt.gov/marijuanaprogram/index.shtml>.

Since the implementation of SB 423, there has been a reduction in the number of patients and providers as well as a coinciding reduction in revenue from the applications. The fees of \$25 for new applications and \$10 for renewals proved to be insufficient to allow the program to remain self-sufficient. DPHHS implemented an administrative rule change during the interim allowing cardholder application fees to be increased from \$25 to \$75, renewal fees from \$10 to \$75 and provider/Marijuana Infused Products Provider (MIPP) application fees went to \$50. Provider/MIPP must reapply annually. Fees and regulations can be viewed at the above link.

## Funding

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

2015 Biennium Program Funding Table By Source of Authority							
Quality Assurance Division							
Funds	HB 2	Non- budgeted Proprietary	Statutory Appropriation	Total All Sources	Percentage Total All Funds	Statutory Appropriation Code	Statutory Appropriation Category
<b>General Fund</b>	\$5,106,567	\$0	\$0	\$5,106,567	27.5%		
02034 Earmarked Alcohol Funds	\$141,503			\$141,503	0.8%		
02380 02 Indirect Activity Prog 08	\$51,963			\$51,963	0.3%		
02497 6901-lien & Estate - Sltd	\$132,504			\$132,504	0.7%		
02566 Medical Marijuana	\$781,178			\$781,178	4.2%		
02585 Recovery Audit Contract	<u>\$64,527</u>			<u>\$64,527</u>	<u>0.3%</u>		
<b>State Special Revenue</b>	<b>\$1,171,675</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,171,675</b>	6.3%		
03096 Discretionary Child Care	\$1,402,681			\$1,402,681	7.6%		
03251 Child Care Admin	\$262,237			\$262,237	1.4%		
03303 Title 18 Clia	\$290,057			\$290,057	1.6%		
03359 Recovery Audit Program	\$64,528			\$64,528	0.3%		
03335 Fda Mammography Inspections	\$85,680			\$85,680	0.5%		
03530 6901-foster Care 93.658	\$134,150			\$134,150	0.7%		
03580 6901-93.778 - Med Adm 50%	\$1,463,594			\$1,463,594	7.9%		
03597 03 Indirect Activity Prog 08	\$2,583,862			\$2,583,862	13.9%		
03960 Rural Hospital Flexibility Prog	\$1,285,383			\$1,285,383	6.9%		
03948 T-19 Obra Nurse Aid	\$215,039			\$215,039	1.2%		
03935 Title 18	\$3,962,300			\$3,962,300	21.4%		
03934 Title 19	<u>\$528,305</u>			<u>\$528,305</u>	<u>2.8%</u>		
<b>Federal Special Total</b>	<b>\$12,277,816</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,277,816</b>	66.2%		
<b>Total All Funds</b>	<b>\$18,556,058</b>	<b>\$0</b>	<b>\$0</b>	<b>\$18,556,058</b>	100.0%		
Percentage - Total of All Sources	100.0%	0.0%	0.0%				

The Quality Assurance Division is funded primarily with federal funds at 66.2%. General fund supports 27.5% of program costs with the remaining 6.3% of budgeted expenditures supported by state special revenues.

General fund supports some administrative functions as well as:

- The state match for eligible costs in Medicaid, Title IV-E (foster care), and federal discretionary child care funds, community residential facilities, and program compliance
- The full cost of radiological equipment testing, certificate of need determinations, and state licensure for assisted living or other facilities that receive no federal support as required in MCA, Title 55, Part 5.

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

- 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.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					963,541					967,723
Vacancy Savings					(283,172)					(283,340)
Inflation/Deflation					(1,856)					796
Fixed Costs					778					647
<b>Total Statewide Present Law Adjustments</b>		<b>\$238,487</b>	<b>\$35,418</b>	<b>\$405,386</b>	<b>\$679,291</b>		<b>\$241,592</b>	<b>\$36,636</b>	<b>\$407,598</b>	<b>\$685,826</b>
DP 8002 - Recovery Audit Contractor Program Permanency	0.00	0	32,134	32,134	64,268	0.00	0	32,393	32,394	64,787
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$32,134</b>	<b>\$32,134</b>	<b>\$64,268</b>	<b>0.00</b>	<b>\$0</b>	<b>\$32,393</b>	<b>\$32,394</b>	<b>\$64,787</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$238,487</b>	<b>\$67,552</b>	<b>\$437,520</b>	<b>\$743,559</b>	<b>0.00</b>	<b>\$241,592</b>	<b>\$69,029</b>	<b>\$439,992</b>	<b>\$750,613</b>

DP 8002 - Recovery Audit Contractor Program Permanency - The executive requests funding to replace the OTO 1.00 FTE provided last session with a contract to provide monitoring and reporting on the contract, collections, and payments for the federally required Recovery Audit Program established in the 2011 session via a legislative language appropriation. This request is funded at a 50% state special and 50% federal fund matching rate. For a discussion see the Budget Request section of this narrative.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 8005 - Survey Federal Compliance	08	2.00	0	0	197,607	197,607	2.00	0	0	139,491	139,491
<b>Total</b>		<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$197,607</b>	<b>\$197,607</b>	<b>2.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$139,491</b>	<b>\$139,491</b>

DP 8005 - Survey Federal Compliance - This proposal is a request for 2.0 FTE and Title 18, Medicare federal funds for the 2015 biennium. This request is made to meet federal requirements for the survey and certification of health care and nursing facilities in Montana as required under Section 1864 of the Social Security Act agreement and the CMS contract.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	59.60	59.60	59.60	59.60	59.60	59.60	0.00	0.00%
Personal Services	4,143,213	4,045,149	4,315,796	4,322,018	8,188,362	8,637,814	449,452	5.49%
Operating Expenses	27,925,094	19,090,582	31,294,978	30,946,908	47,015,676	62,241,886	15,226,210	32.39%
Equipment & Intangible Assets	209,206	100,910	209,206	209,206	310,116	418,412	108,296	34.92%
Debt Service	91,266	143,197	91,266	91,266	234,463	182,532	(51,931)	(22.15%)
<b>Total Costs</b>	<b>\$32,368,779</b>	<b>\$23,379,838</b>	<b>\$35,911,246</b>	<b>\$35,569,398</b>	<b>\$55,748,617</b>	<b>\$71,480,644</b>	<b>\$15,732,027</b>	<b>28.22%</b>
General Fund	11,568,480	8,940,538	11,882,682	11,530,971	20,509,018	23,413,653	2,904,635	14.16%
State Special	1,170,417	1,293,420	1,181,205	1,184,447	2,463,837	2,365,652	(98,185)	(3.99%)
Federal Special	19,629,882	13,145,880	22,847,359	22,853,980	32,775,762	45,701,339	12,925,577	39.44%
<b>Total Funds</b>	<b>\$32,368,779</b>	<b>\$23,379,838</b>	<b>\$35,911,246</b>	<b>\$35,569,398</b>	<b>\$55,748,617</b>	<b>\$71,480,644</b>	<b>\$15,732,027</b>	<b>28.22%</b>

The Technology Services Division (TSD) is comprised of three bureaus that are responsible for the management, implementation and operations of information technology (IT) systems and infrastructure that directly support department programs. IT services include programming, help desk functions, database support, web development, enterprise architecture, project management, IT contract management, data security, computer, and network services. There is a full description of TSD operations in the appendix.

The systems under TSD oversight are referenced later in this write-up and are also discussed in the agency's Information Technology Plan. The plan can be viewed at:

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

It is also available in the appendix of this publication.

### Program Highlights

<b>Technology Services Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ The executive requests a total fund increase over the 2013 biennium primarily for about \$6.7 million in total present law adjustments.</li> <li>◆ Other present law adjustments of about \$6.9 million are for:               <ul style="list-style-type: none"> <li>• Contract annualization increases to the CHIMES Medicaid/HMK and TEAMS and other systems of about \$7.5 million</li> <li>• Office lease increases of about \$0.1 million</li> <li>• A federal fund reduction of about \$0.7 million to outsource Montana Access EBT system operating costs</li> </ul> </li> </ul>	
<b>Major LFD Issues</b>	
<ul style="list-style-type: none"> <li>◆ The executive increased the FY 2012 budget by over \$12.4 million total funds (\$3.2 million general fund) during the interim</li> </ul>	

**Program Discussion**

The increase in the budget when the 2013 and 2015 biennia are compared is primarily due to increases for contracted or TSD in-house computer system development and maintenance, as reflected in the operating expenses category.

The above budget comparison table also shows a decrease of nearly \$9.0 million total funds between FY 2012 and FY 2013. A like decrease does not occur between FY 2014 and FY 2015 in the 2015 biennium.

This increase is primarily because the \$32.4 million FY 2012 total funds expended is substantially more than the FY 2012 legislative appropriation of \$21.4 million total funds, which contained just over:

- o \$8.5 million general fund
- o \$1.1 million state special revenue
- o \$11.9 million federal revenue

*Between Sessions*

**LFD ISSUE** Increase in Funding in the Base Year Would be Carried Forward

During the interim the TSD budget was increased by over \$12.4 million total funds through transfers from other programs. The transfers added nearly \$290,000 in personal services and over \$12.2 million in operations and were funded by:

- o Over \$3.2 million general fund
- o Over \$0.2 million state special revenue
- o Over \$9.0 million federal funds

The portion of the transfers used to increase personal services and operations in this division total \$10.5 million appropriated by the 2011 Legislature to the Health Resource Division for benefits.

- o \$2.9 million of general fund was appropriated for benefit expenditures in the Medicaid Acute Services and Pharmacy
- o Nearly \$7.6 million federal funds were appropriated for the Medicaid Hospital Services at the federal Medicaid match rate (FMAP)

As shown in the figure, when the executive base year budget and the legislative base appropriation are compared, the total increase comes to nearly \$11.0 million total funds, or over 51%.

Budget Category	Category	FY 2012	Executive FY		FY 2014	FY 2014	Future Base,
		Legislative Appropriation	FY 2012 Executive Base Budget	2012 Budget Over/Under Appropriation	Executive Request	Executive Over/Under FY 2012	FY 2014 Over/Under Appropriation
61000	Personal Services	\$3,937,809	\$4,143,213	\$205,404	\$4,380,509	\$237,296	\$442,700
62000	Unallocated Op. Exp.	185,795	0	(185,795)	114,673	114,673	(71,122)
62136	IT Consultant/Prof. Serv	8,540,405	18,993,713	10,453,308	22,432,499	3,438,786	13,892,094
62100	Fixed Costs	4,188,919	4,016,567	(172,352)	3,748,615	(267,952)	(440,304)
62200-62891	Gen. Operations	4,308,167	4,914,814	606,647	4,934,478	19,664	626,311
63000	Equipment	100,910	209,206	108,296	209,206	0	108,296
69303	IT Leases + Installment Purchase	143,197	91,266	(51,931)	91,266	0	(51,931)
	Total Costs	\$21,405,202	\$32,368,779	\$10,963,577	\$35,911,246	\$3,542,467	\$14,506,044
	Percent Increase Over Legislative Appropriation			51.2%			67.8%
01100	General Fund	\$8,487,823	\$11,568,480	\$3,080,657	\$11,882,682	\$314,202	\$3,394,859
02381	State Special Revenue	1,065,451	1,170,417	104,966	1,181,205	10,788	115,754
03598	Federal Revenue	11,851,928	19,629,882	7,777,954	22,847,359	3,217,477	10,995,431
		\$21,405,202	\$32,368,779	\$10,963,577	\$35,911,246	\$3,542,467	\$14,506,044

The impact of the interim increases and other changes included in the executive’s proposed 2015 biennium budget is a 67.8 % increase over the FY 2012 legislative appropriation by FY 2014, the base year for the 2017 biennium budget development.

**LFD  
ISSUE CONT.**

Personal Services

While the legislature does not approve the number of FTE, it does approve the funding related to those FTE. The personal services increase made during the interim includes funding of over \$290,000 and transfers of 4.00 FTE into TSD and 0.50 FTE over to the Child and Family Services help desk support for the Child and Adult Protective Services system. The net adjustment is 3.50 FTE and a FY 2012 total of 59.60 FTE. The division presents a budget request for over \$4.3 million in support of 59.60 FTE for FY 2014, which is nearly the same amount as TSD is spending in FY 2013 as a result of interim action.

The TSD employee listing for December 10, 2012, half way through FY 2013, reflects the interim adjustments with a personal services budget of over \$4.3 million for 59.60 FTE and 15.60 modified positions - a total of 75.20 FTE. The 75.20 FTE are broken down between modified and permanent FTE:

- o 15.60 modified FTE at about \$860,000
- o 59.60 FTE at about \$3.5 million

Operations

The operations increase of \$12.2 million is primarily due to a \$10.5 million transfer comprising \$2.9 million general fund and nearly \$7.8 million federal funds. This was a transfer between the Health Resources Division and TSD, which according to the budget change request was “. . . so the division could meet the unfunded portion of the MMIS System Development project allocated from HB 10; cover costs of program operations and personal services, including the SITSD Full-Cost Maturity Model - a fixed cost; and centralize managing and purchasing the agency personal computer fleet for desktops and laptops.” Support documentation noted over \$8.5 million for the MMIS system, about \$1.2 million for program operations and personal services, over \$0.4 million for the full cost maturity model, and about \$0.6 million to manage and purchase the personal computer fleet. The request was approved at \$10.5 million.

TSD reverted about \$1.2 million at fiscal year-end, with \$77,132 going back to the general fund, thereby reducing the increase to about \$11.0 million.

There is further discussion in the Agency Overview section of this analysis and related discussion at DP 9003 in the present law section.

*Legislative Options*

While the budget changes made during the interim were within state law, the division’s budget underwent substantial changes without legislative discussion. The 2013 Legislature may wish to review and discuss the options presented in the agency overview.

*Program Personal Services*

TSD funds its FTE with both HB 2 and Long Range Information Technology (LRIT) funding.

The figure shows the 59.60 FTE after interim budget adjustments as well as the 21.00 modified FTE and the related hours worked versus budgeted. The figure also shows that less than half of the LRIT modified hours were used. However, TSD used nearly all of its HB 2 budgeted hours and had a vacancy rate of 1.53% compared to the legislatively approved 4% vacancy savings.

Program	FTE	Personal Services Hours Budgeted and Used		
		Hours Budgeted	Hours Used	Percent of Usage
Administration	6.10	12,737	14,474	113.64%
Information Systems Bureau	22.00	45,936	43,845	95.45%
Network and Communications	24.50	51,156	51,005	99.70%
Project Management Bureau	<u>7.00</u>	<u>14,616</u>	<u>13,214</u>	90.41%
	59.60	124,445	122,538	98.47%
Modified FTE				
HB 2 / Information Systems	1.00	2,088	2,088	100.00%
LRIT / Project Mgmt. Bureau	<u>20.00</u>	<u>41,760</u>	<u>19,087</u>	<u>45.71%</u>
	21.00	43,848	21,175	48.29%
<b>Total FTE</b>	<b>80.60</b>	<b>168,293</b>	<b>143,713</b>	<b>85.39%</b>

Funding associated with modified positions supports FTE for specific projects due to last for a defined period of time. The legislature funded 20 modified positions for LRIT

projects for the 2013 biennium and one modified position that was funded through HB 2. The position in HB 2 was for the Montana Infectious Disease Information System (MIDIS in the IT figure below), which is federally required as part of the National Electronic Disease Surveillance System.

TSD reported to the Legislative Finance Committee that the CHIMES-EA eligibility system is nearing completion. The modified FTE associated with the project would need to be requested if they are to continue. As of this writing, TSD does not have a plan to address the modified positions as the design, development, and implementation phase of the system is not complete.

#### *The Functions of the Technology Services Division*

TSD is the information technology center for the agency with responsibilities and projects linked both to HB 2 and long range information technology (LRIT) or other legislative action. The following figure shows the services TSD provides that are funded in HB 2.

Technology Services Division Summary of Funding by Function										
Function	Fiscal 2012 Actual		Fiscal 2014 Requested		Fiscal 2015 Requested		2015 Biennium		Change to Base*	Percent of Division
	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds	General Fund	Total Funds		
Division Administration										
Administration	\$196,668	\$567,111	\$219,486	\$630,944	\$221,051	\$634,954	\$440,537	\$1,265,898	11.6%	1.8%
Information Systems Bureau	667,465	1,866,706	691,771	1,999,396	693,189	2,003,264	1,384,960	4,002,660	7.2%	5.6%
Network and Communications Services	781,357	1,790,533	796,817	1,825,961	797,077	1,826,555	1,593,894	3,652,516	2.0%	5.1%
Project Management Bureau	175,461	538,274	192,722	591,227	192,595	590,837	385,317	1,182,064	9.8%	1.7%
TSD Agencywide Costs	2,379,988	5,113,211	2,259,232	4,853,345	2,246,713	4,826,450	4,505,945	9,679,795	-5.3%	13.5%
IT System Maintenance & Enhancements	5,548,687	13,509,216	5,906,430	17,030,516	5,564,120	16,707,479	11,470,550	33,737,995	24.9%	47.2%
IT System Development										
TANF System Development	8,239	20,371	8,181	20,228	8,181	20,228	16,362	40,456	-0.7%	0.1%
SNAP System Development		24,121	14,067	20,393	14,069	20,395	28,136	40,788	-15.5%	0.1%
MMIS System Development	1,683,496	7,834,393	1,683,496	7,834,393	1,683,496	7,834,393	3,366,992	15,668,786	0.0%	21.9%
ACA System Development	110,480	1,104,843	110,480	1,104,843	110,480	1,104,843	220,960	2,209,686	0.0%	3.1%
Total Technology Services Division	\$11,551,841	\$32,368,779	\$11,882,682	\$35,911,246	\$11,530,971	\$35,569,398	\$23,413,653	\$71,480,644	10.4%	100.0%
*Percent of increase or decrease from the base year doubled.										

The introductory budget comparison table shows that over \$62.1 million of the \$71.5 million total funds budget is for operating costs over the biennium. The above function table shows that over \$51.7 million of that amount is in system enhancements or system development. Major components are:

- \$44.5 million supporting contracted or TSD in-house computer system development and maintenance
- \$13.0 million for IT services charged by the Department of Administration (DOA)
- \$4.7 million operating costs ranging from minor equipment and software to central supplies, rent, and maintenance contracts

Operating costs for DPHHS that are under TSD purview comprise 13.5% of the TSD budget request and are shown in the Agency wide Costs category above.

#### *IT Projects*

The division's HB 2 budget alone does not reflect the scope of agency IT projects that TSD manages. Agency wide, over \$185.5 million is presently included in the MBARS statewide summary of IT funding for the HB 2 base. As shown in the figure, the combined total of the HB 2 projects and the possible request for long range funding of over \$25.2 million for the Montana Automated Child Welfare System (MACWIS) comes to over \$210.7 million total funds. Over \$177.0 million of that amount is for contracted services ranging from design, development, and implementation of system builds to general maintenance and operations of ongoing systems. The figure shows the projects for the 2015 biennium.

IT Projects in the DPHHS Base Budget for the 2015 Biennium					
IT Projects	General Fund	State Special		Total	Amount for Contracted Services
		Revenue	Federal Funds		
MMIS Replacement *	\$9,321,976	\$0	\$63,392,347	\$72,714,323	\$61,944,043
CHIMES SNAP TANF EA & SFSL *	17,818,259	0	19,009,330	36,827,589	29,689,946
MMIS Fiscal Agency Contract	6,126,314	6,641	12,107,242	18,240,197	18,240,197
CHIMES Medicaid / HMK *	3,839,001	359,919	10,701,442	14,900,362	13,394,880
Affordable Care Act Eligibility System *	851,334	0	7,662,006	8,513,340	8,513,340
EBT Outsourcing	1,564,477	103,117	4,788,694	6,456,288	5,100,000
SEARCHS Maintenance & Operations	1,450,670	435,780	3,661,936	5,548,386	2,971,694
TEAMS Maintenance & Support	1,932,464	99,860	2,712,121	4,744,445	2,211,739
CAPS Maintenance & Operations	2,251,550	0	1,185,471	3,437,021	2,498,695
MT Access EBT	1,448,058	0	1,711,376	3,159,434	3,159,434
VocRehab Case Management System	0	0	2,600,000	2,600,000	0
CUBS Maintenance & Operations	0	0	2,548,010	2,548,010	2,520,196
CDS/HMIS Maintenance & Operations	0	0	2,240,674	2,240,674	2,218,174
Safety Assessment Mgmt System	747,500	0	747,500	1,495,000	1,404,090
Big Sky Rx Facility Maintenance	0	752,868	0	752,868	752,868
IIS Replacement & Operations	0	0	620,757	620,757	620,757
DDP Subsystem Maintenance & OP	205,209	0	364,182	569,391	569,391
MIDIS - MT Infectious Disease Info.	0	0	129,329	129,329	0
	\$47,556,812	\$1,758,185	\$136,182,417	\$185,497,414	\$155,809,444
<b>Long Range IT</b>		<b>LRIT</b>		<b>Total</b>	
MACWIS (Possible LRIT Request) *	\$0	\$12,614,254	\$12,614,254	\$25,228,508	\$21,189,597
Grand Total				<u>\$210,725,922</u>	<u>\$176,999,041</u>

\* Projects associated with long range funding and system builds.  
Source: MBARS IT Projects: Statewide Summary of Funding by Agency

### MACWIS

The MACWIS project is the redesign to replace the Child and Adult Protective Services System (CAPS). It was initially funded in HB 4 with LRIT funding during the 2007 May Special Session, but became part of the Governor's 17-7-140 reductions in the 2011 session. It was designed to replace the antiquated Child and Adult Protective Services system (CAPS) used in the monitoring of foster care cases, adoption cases, payment for service to providers, and reporting. The original budget for MACWIS 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 TANF / SNAP (\$0.5 million) projects.

As of this writing, the system is not included in the Governor's budget. With the MACWIS funding on hold, CFSD has continued its operations on the existing CAPS system and worked with TSD to address any federal program compliance issues.

### CHIMES-EA

The Combined Healthcare Information and Montana Eligibility System (CHIMES-EA) upgrade and replacement went "live" November 1, 2012.

Legislative Interim Committees heard testimony that the system "go live" was not without issues. As of this writing, reports continue related to client services such as not receiving checks. Other issues center on staff workload due to high caseloads and learning curve as well as lack of training and that replacement FTE cannot learn the detailed job quickly enough to be helpful. There have also been occurrences when workers can't make things work in the system.

The legislature will receive an update on this system and the other long range projects during the upcoming session.

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Technology Services Division							
Funds	HB 2	Non- Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>General Fund</b>	<b>\$23,413,653</b>	<b>\$0</b>	<b>\$0</b>	<b>\$23,413,653</b>	32.8%		
<b>State Special Total</b>	<b>\$2,365,652</b>	<b>\$0</b>	<b>\$0</b>	<b>\$2,365,652</b>	3.3%		
02381 02 Indirect Activity Prog 09	\$2,365,652	\$0	\$0	\$2,365,652	3.3%		
<b>Federal Special Total</b>	<b>\$45,701,339</b>	<b>\$0</b>	<b>\$0</b>	<b>\$45,701,339</b>	63.9%		
03598 03 Indirect Activity Prog 09	\$45,701,339	\$0	\$0	\$45,701,339	63.9%		
<b>Total All Funds</b>	<b>\$71,480,644</b>	<b>\$0</b>	<b>\$0</b>	<b>\$71,480,644</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</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 department. The division budget for the 2015 biennium is about \$71.5 million containing about 64.0% from federal sources, 33.0 % from the state general fund, and just over 3.0% from state special revenue funds.

As discussed in the Agency Overview section of this narrative and the Program Discussion section of this division, the executive transferred funds to various other purposes in the department. For a further discussion please see those sections. There is also related discussion at DP 9003 in the present law section.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					352,409					358,886
Vacancy Savings					(179,826)					(180,081)
Inflation/Deflation					6,096					11,167
Fixed Costs					(254,924)					(283,528)
<b>Total Statewide Present Law Adjustments</b>		<b>(\$55,144)</b>	<b>(\$7,826)</b>	<b>(\$13,275)</b>	<b>(\$76,245)</b>		<b>(\$63,902)</b>	<b>(\$9,427)</b>	<b>(\$20,227)</b>	<b>(\$93,556)</b>
DP 9001 - Private Lease Adjustment	0.00	14,202	2,825	21,962	38,989	0.00	15,626	3,051	23,915	42,592
DP 9003 - National Electronic Disease Surveillance system	0.00	0	0	64,713	64,713	0.00	0	0	64,616	64,616
DP 9004 - CAPS Maintenance & Operations Annualization	0.00	25,191	0	14,170	39,361	0.00	51,138	0	28,765	79,903
DP 9005 - CCUBS Maintenance & Operations Annualization	0.00	0	0	36,323	36,323	0.00	0	0	73,735	73,735
DP 9006 - CHIMES Medicaid/HMK & TEAMS Systems M&O Annual	0.00	329,953	15,789	3,093,584	3,439,326	0.00	282,428	20,406	3,434,834	3,737,668
DP 9007 - Montana Access EBT Outsourcing	0.00	0	0	0	0	0.00	(322,799)	0	(381,540)	(704,339)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$369,346</b>	<b>\$18,614</b>	<b>\$3,230,752</b>	<b>\$3,618,712</b>	<b>0.00</b>	<b>\$26,393</b>	<b>\$23,457</b>	<b>\$3,244,325</b>	<b>\$3,294,175</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$314,202</b>	<b>\$10,788</b>	<b>\$3,217,477</b>	<b>\$3,542,467</b>	<b>0.00</b>	<b>(\$37,509)</b>	<b>\$14,030</b>	<b>\$3,224,098</b>	<b>\$3,200,619</b>

DP 9001 - Private Lease Adjustment - The Governor requests a total fund increase to annualize rent for offices in non-state owned buildings throughout the state.

DP 9003 - National Electronic Disease Surveillance system - The Governor requests \$129,329 federal funding to provide for the programming and maintenance of the National Electronic Disease Surveillance System (NEDS).

<b>LFD COMMENT</b>	<p>The request is associated with the MIDIS system listed on the above IT Project figure. It is part of the federal National Electronic Disease Surveillance System allowing rapid reporting of disease trends to the Centers for Disease Control and Prevention. TSD received a modified full-time computer programmer (position 69170932) to support the system for FY 2012 and FY 2013, which would need to be reauthorized as a HB 2 FTE to allow TSD a programmer for in-house hosting and support of the system.</p> <p>However, there is no FTE included in this request. If the legislature approves the request as written, they are appropriating federal funds to the category for consultants and operating costs in the FY 2014 base budget.</p> <p>The position 69170932 is listed and salaried on the December 10, 2012 employee listing. If the position is to continue into the next biennium, it appears it would be funded as contracted services.</p>
--------------------	---

DP 9004 - CAPS Maintenance and Operations Annualization - The Governor requests funding for maintenance and operations (M&O) of the Child and Adult Protective Services System, which is associated with federal Title IV-E funding (foster care and subsidized adoption) at a matching rate of 64.0% general fund and 36.0% federal funds.

<b>LFD COMMENT</b>	<p>This request would ultimately be replaced by the MACWIS system if the long range proposal is submitted and approved.</p> <p>The legislature may wish to consider designating this appropriation as one-time-only to allow the 2015 Legislature to see what the CAPS maintenance and operations needs are at that time.</p>
--------------------	---

DP 9005 - CCUBS Maintenance and Operations – The executive requests an increase to maintain the maintenance and operations contract for the Child Care Under the Big Sky, (CCUBS) System. This service is funded with 100% federal funds.

DP 9006 - CHIMES Medicaid/HMK and TEAMS Systems M&O – The executive requests an increase to annualize costs for the maintenance and operations contract and project management of the eligibility determination systems for CHIMES Medicaid/HMK, CHIMES SNAP, CHIMES TANF, and TEAMS. The CHIMES systems are replacing the legacy TEAMS system. The request would support eligibility determination for Medicaid, Healthy Montana Kids, SNAP, and TANF.

**LFD  
COMMENT**

The present data for CHIMES Medicaid/HMK in the 2015 IT budget for HB 2 notes that the project was initiated November of 2011. The summary notes that: “. . .with any system additional maintenance or enhancement will be required to ensure the system suits the business need after implementation . . . as state and federal policies and mandates evolve, the system may have to be modified . . . especially with Health Care Reform “looming”, which will most likely require adjustments to the system and/or business processes.”

At the time the legislature discusses this proposal, members may wish to consider:

- Approving the request as submitted
- Restricting funding for use on contracts only for the CHIMES Medicaid/HMK eligibility system maintenance and operations
- Designating the funding as one-time-only (OTO) to allow the next legislature to assess how much is needed in the contract base amount as the department works through any changes at the federal level associated with eligibility

DP 9007 - Montana Access EBT Outsourcing – The executive requests a total funds HB 2 reduction of just over \$700,000 in FY 2015 to the operating costs for the Montana Access Electronic Benefits Transfer system. There is a general fund reduction of just over \$300,000. A feasibility study on the option of outsourcing the current EBT operated by DPHHS indicated that costs could be saved by outsourcing to a vendor already proficient in EBT technology. At the time of this writing, DPHHS is preparing an RFP to outsource a system.

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	12.00	12.00	12.00	12.00	12.00	12.00	0.00	0.00%
Personal Services	818,841	834,192	906,823	906,604	1,653,033	1,813,427	160,394	9.70%
Operating Expenses	105,623	75,834	109,000	108,777	181,457	217,777	36,320	20.02%
Equipment & Intangible Assets	5,240	0	5,240	5,240	5,240	10,480	5,240	100.00%
<b>Total Costs</b>	<b>\$929,704</b>	<b>\$910,026</b>	<b>\$1,021,063</b>	<b>\$1,020,621</b>	<b>\$1,839,730</b>	<b>\$2,041,684</b>	<b>\$201,954</b>	<b>10.98%</b>
General Fund	364,209	363,549	401,954	401,744	727,758	803,698	75,940	10.43%
State Special	22,319	17,991	25,286	25,261	40,310	50,547	10,237	25.40%
Federal Special	543,176	528,486	593,823	593,616	1,071,662	1,187,439	115,777	10.80%
<b>Total Funds</b>	<b>\$929,704</b>	<b>\$910,026</b>	<b>\$1,021,063</b>	<b>\$1,020,621</b>	<b>\$1,839,730</b>	<b>\$2,041,684</b>	<b>\$201,954</b>	<b>10.98%</b>

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 for fair hearings for many of the department’s programs.

The MFH is part of the online publication of the full profile of the Department of Health and Human Services. For additional information, please refer to the agency profile.

**Program Highlights**

Management and Fair Hearings Major Budget Highlights	
◆	The Governor proposes an increase over the 2013 biennium budget that is primarily due to increases in statewide present law adjustments for personal services
◆	A reorganization during the interim lowered the Legislative appropriation for the FY 2012 base year by moving: <ul style="list-style-type: none"> <li>• The DPHHS Forecast Unit into MFH</li> <li>• The Office of Budget and Finance to the Business and Financial Services Division</li> </ul>

**Program Discussion**

As shown in the introductory Program Budget Comparison above, and concurrent with the duties of MFH, the majority of the requested expenditure increases for the 2015 biennium are for personnel costs. Projected expenses for staff account for 89% of the projected total biennial budget request while operations expenses account for about 11%.

The figure to the right shows the budget request by program for Operations Management and the Office of Fair Hearings for the 2015 Biennium. Personal services costs for MFH support the staff of 12.00 FTE. There are 6.00 FTE working in the Branch Management Office and 6.00 FTE in the Office of Fair Hearings.

Management and Fair Hearings Budget Request by Program			
	FY 2012	FY 2014	FY 2015
Operations Management			
Personal Services	\$398,738	\$478,181	\$477,476
Operations	<u>56,968</u>	<u>60,362</u>	<u>60,134</u>
Subtotal	\$455,706	\$538,543	\$537,610
Fair Hearings			
Personal Services	\$420,103	\$428,642	\$429,128
Operations	48,655	48,638	48,643
Equipment	<u>5,240</u>	<u>5,240</u>	<u>5,240</u>
	\$473,998	\$482,520	\$483,011
<b>Total Budget Request</b>	<b>\$ 929,704</b>	<b>\$ 1,021,063</b>	<b>\$ 1,020,621</b>

The total present law increase over the 2013 biennium budget is from adjustments of about \$182,000 total funds for the biennium including:

- o Increases in personal services of just over \$251,000 that are partially offset by reductions in vacancy savings of about \$76,000
- o An increase of about \$6,600 in fixed costs

The 2011 Legislature provided the division over \$1.0 million total funds for personal services and 14.00 FTE. The reduction in FTE reflects the interim changes that moved the Office of Budget and Finance and related costs from MFH to the Business and Financial Services Division and the Forecasting Unit and related costs into MFH from the Director’s Office.

As shown in the introductory table, actual expenditures for personal services were just over \$0.8 million for 12.00 FTE. When the actual expenditures for the 12.00 FTE is translated into working hours the difference between budgeted and utilized hours is a vacancy rate of 12.4% compared to the 4% included by the legislature.

The increase over the 4% vacancy rate is driven by two positions with a combined vacancy rate of 30%. At the time of this writing, there are no vacant positions listed for the division.

Staff of the division received the general salary increase provided to other employees of the agency. For a further discussion, see the Summary section of this agency’s narrative.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as proposed by the Governor.

Total Operations Services Branch Funding by Source of Authority 2015 Biennium Budget - Management And Fair Hearings							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$803,698	\$0	\$0	\$803,698	39.4%		
State Special Total	\$50,547	\$0	\$0	\$50,547	2.5%		
02221 02 Indirect Activity Prog 16	\$50,547	\$0	\$0	\$50,547	2.5%		
Federal Special Total	\$1,187,439	\$0	\$0	\$1,187,439	58.2%		
03304 03 Indirect Activity Prog 16	\$1,187,439	\$0	\$0	\$1,187,439	58.2%		
Total All Funds	\$2,041,684	\$0	\$0	\$2,041,684	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The program receives general fund, state special revenue, and federal funds through a complicated, federally approved cost allocation formula applied to funds in the department that benefit common purposes met by MFH, generally referred to as indirect activity. As shown in the funding table, federal funding comprises 58.2% of the budget, general fund 39.4%, and state special revenue 2.5%.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					125,767					125,538
Vacancy Savings					(37,785)					(37,775)
Inflation/Deflation					(17)					(12)
Fixed Costs					3,394					3,166
<b>Total Statewide Present Law Adjustments</b>		<b>\$37,745</b>	<b>\$2,967</b>	<b>\$50,647</b>	<b>\$91,359</b>		<b>\$37,535</b>	<b>\$2,942</b>	<b>\$50,440</b>	<b>\$90,917</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$37,745</b>	<b>\$2,967</b>	<b>\$50,647</b>	<b>\$91,359</b>	<b>0.00</b>	<b>\$37,535</b>	<b>\$2,942</b>	<b>\$50,440</b>	<b>\$90,917</b>

### Program Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	191.96	191.96	191.96	191.96	191.96	191.96	0.00	0.00%
Personal Services	10,582,164	11,595,969	11,751,725	11,767,489	22,178,133	23,519,214	1,341,081	6.05%
Operating Expenses	12,330,780	11,875,720	14,523,738	14,509,592	24,206,500	29,033,330	4,826,830	19.94%
Equipment & Intangible Assets	224,556	277,242	224,556	224,556	501,798	449,112	(52,686)	(10.50%)
Grants	21,439,775	20,432,232	24,342,532	24,343,058	41,872,007	48,685,590	6,813,583	16.27%
Benefits & Claims	14,656,277	13,637,295	14,656,277	14,656,277	28,293,572	29,312,554	1,018,982	3.60%
Transfers	0	252,000	0	0	252,000	0	(252,000)	(100.00%)
<b>Total Costs</b>	<b>\$59,233,552</b>	<b>\$58,070,458</b>	<b>\$65,498,828</b>	<b>\$65,500,972</b>	<b>\$117,304,010</b>	<b>\$130,999,800</b>	<b>\$13,695,790</b>	<b>11.68%</b>
General Fund	3,598,646	2,723,255	4,015,475	4,018,585	6,321,901	8,034,060	1,712,159	27.08%
State Special	14,765,002	14,804,580	16,607,810	16,607,638	29,569,582	33,215,448	3,645,866	12.33%
Federal Special	40,869,904	40,542,623	44,875,543	44,874,749	81,412,527	89,750,292	8,337,765	10.24%
<b>Total Funds</b>	<b>\$59,233,552</b>	<b>\$58,070,458</b>	<b>\$65,498,828</b>	<b>\$65,500,972</b>	<b>\$117,304,010</b>	<b>\$130,999,800</b>	<b>\$13,695,790</b>	<b>11.68%</b>

### Program Description

The mission of the Public Health and Safety Division (PHSD) is to improve the health of Montanans to the highest possible level. The division provides a wide range of public health services to individuals and communities that are aimed at prevention of disease and promotion of health. Services are provided through nearly 500 contracts with a broad range of private and public providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include, but are not limited to:

- Clinical and environmental laboratory services
- Chronic and communicable disease prevention and control
- Maternal and child public health services
- Public health emergency preparedness
- Women's, Infants and Children's Special Nutrition Program (WIC)
- Food and Consumer Safety
- Emergency Medical Services

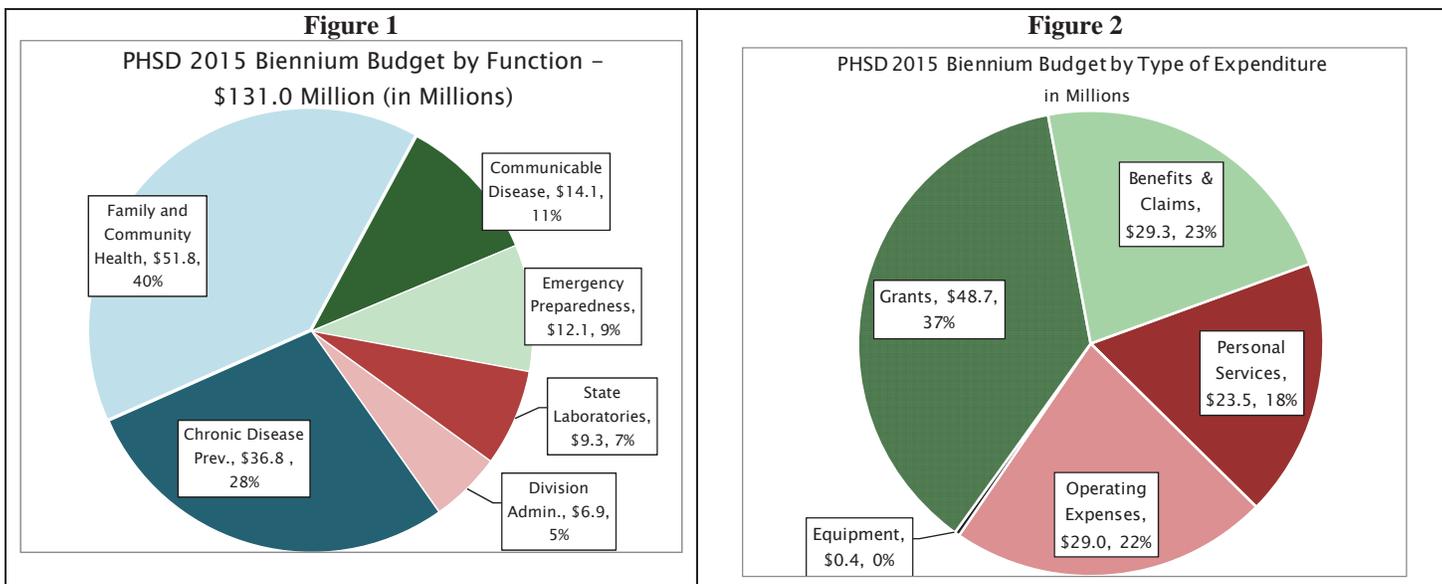
Statutory authority for public health functions, including local public health activities, is in Title 50, MCA,. Rules concerning public health programs are in Title 37 of the Administrative Rules of Montana. Specific citations include: Title V of the Social Security Act; Family Planning Title X of the federal Public Health Service Act and 42 CFR, Subpart A, Part 59; WIC P. L. 95-627, Child Nutrition Act of 1966, and 7 CFR Part 246.

**Division Highlights**

<b>Public Health and Safety Division Major Budget Highlights</b>	
<ul style="list-style-type: none"> <li>◆ Significant changes contributing to the \$13.7 million increase from the 2013 biennium budget are:                             <ul style="list-style-type: none"> <li>◆ \$8.2 million in new proposals to add:                                     <ul style="list-style-type: none"> <li>• Federal grant funding to expand/improve home visiting services, children’s special health services, a state arthritis program, and laboratories</li> <li>• State special revenue to expand state funded genetics, asthma, and heart disease prevention programs</li> </ul> </li> <li>◆ \$2.8 million in state special revenue for tobacco control prevention, vital statistics, state laboratory services, and statewide present law adjustments</li> <li>◆ \$0.8 million general fund for statewide present law adjustments and to offset a federal grant reduction for the state poison control program</li> </ul> </li> </ul>	
<b>Major LFD Issues</b>	
<ul style="list-style-type: none"> <li>◆ Federal sequestration would reduce some grant funds that support division activities</li> <li>◆ State laboratory fees may not be sufficient to support executive budget</li> <li>◆ There is additional revenue allocated to tobacco cessation that could be used to address legislative initiatives</li> </ul>	

**Division Budget Request**

The PHSD 2015 biennium budget increases \$13.7 million compared to the 2013 biennium. Figure 1 shows the 2015 biennium budget by major function.



The majority – 60% - of the PHSD 2015 biennium budget request supports grants to local governments and direct services (benefits and claims) to low-income individuals (See Figure 2). Additionally, the majority of the increase

between the 2013 and 2015 biennial budgets - \$7.8 million – is for grants and direct services to persons. Both functions are supported primarily by federal categorical grants with stipulations about how the funds may be spent.

The majority of benefits and claims - \$10.4 million annually - supports the Women, Infant, and Children (WIC) nutrition program that provides vouchers for defined types of food for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk. WIC also funds health care referrals and nutrition education. The remainder of direct services expenditures supports breast and cervical cancer screenings and treatment.

The major grant functions in the 2015 biennium budget request are:

- \$4.1 million – WIC grant to counties for nutrition services
- \$3.4 million – tobacco prevention and control
- \$2.9 million – bioterrorism hospital preparedness
- \$2.7 million – family planning grants
- \$1.6 million – maternal child health grants to counties
- \$1.3 million - breast and cervical cancer prevention

Personal services increase \$2.4 million from the 2013 biennium budget. The majority of the increase is due to:

- Full funding for positions that were vacant during the base budget year – about \$618,000
- Pay plan increases granted by DPHHS and discussed in the agency overview - about \$300,000

The 2015 biennium budget for operating costs increases \$4.8 million over the 2013 biennium budget. The main change is \$2.2 million for contracted services to:

- Increase public health laboratory operations - \$1.4 million
- Develop an arthritis program - \$0.8 million
- Implement statewide chronic disease prevention activities - \$0.5 million
- Increase genetics program functions - \$0.4 million
- Implement a program to detect and monitor disease occurrence as early as possible - \$0.3 million

### **Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Public Health Funding by Source of Authority 2015 Biennium Budget - Public Health & Safety Div.							
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference	Statutory Category
		Budgeted Proprietary	Statutory Appropriation				
<b>General Fund</b>	<b>\$8,034,060</b>	<b>\$0</b>	<b>\$0</b>	<b>\$8,034,060</b>	6.1%		
<b>State Special Total</b>	<b>\$33,215,448</b>	<b>\$0</b>	<b>\$0</b>	<b>\$33,215,448</b>	25.4%		
02199 Dhes Food & Consumer	\$13,928	\$0	\$0	\$13,928	0.0%		
02366 Public Health Laboratory	\$6,327,691	\$0	\$0	\$6,327,691	4.8%		
02379 02 Indirect Activity Prog 07	\$889,845	\$0	\$0	\$889,845	0.7%		
02419 Vital Statistics	\$854,382	\$0	\$0	\$854,382	0.7%		
02462 Food/lodging License	\$1,902,552	\$0	\$0	\$1,902,552	1.5%		
02512 Brfs Survey Fees	\$107,686	\$0	\$0	\$107,686	0.1%		
02765 Fees On Insurance Policies - Sb 275	\$2,564,835	\$0	\$0	\$2,564,835	2.0%		
02772 Tobacco Hlth & Medicd Initiative	\$51,314	\$0	\$0	\$51,314	0.0%		
02773 Childrens Special Health Services	\$925,992	\$0	\$0	\$925,992	0.7%		
02790 6901-statewide Tobacco Sttlmnt	\$17,638,325	\$0	\$0	\$17,638,325	13.5%		
02987 Tobacco Interest	\$1,938,898	\$0	\$0	\$1,938,898	1.5%		
<b>Federal Special Total</b>	<b>\$89,750,292</b>	<b>\$0</b>	<b>\$0</b>	<b>\$89,750,292</b>	68.5%		
03004 Ems Data Injury	\$219,128	\$0	\$0	\$219,128	0.2%		
03020 Ph Workforce Development	\$1,894	\$0	\$0	\$1,894	0.0%		
03026 Family Planning Title X	\$4,612,010	\$0	\$0	\$4,612,010	3.5%		
03027 Wic (women,infants & Children)	\$20,816,042	\$0	\$0	\$20,816,042	15.9%		
03030 Health Prevention & Services	\$208,040	\$0	\$0	\$208,040	0.2%		
03031 Maternal & Child Health	\$4,981,114	\$0	\$0	\$4,981,114	3.8%		
03057 Newborn Hearing Screening	\$525,272	\$0	\$0	\$525,272	0.4%		
03105 Mt Diabetes	\$997,882	\$0	\$0	\$997,882	0.8%		
03146 10.577 Wic Bf Peer Counseling	\$416,558	\$0	\$0	\$416,558	0.3%		
03150 Wic Cdc Surveillance	\$181,826	\$0	\$0	\$181,826	0.1%		
03159 Tuberculosis Grant	\$329,586	\$0	\$0	\$329,586	0.3%		
03203 Strengthen Phi Component I	\$490,976	\$0	\$0	\$490,976	0.4%		
03246 Wic Admin	\$10,042,698	\$0	\$0	\$10,042,698	7.7%		
03253 Homeland Security Program	\$10,000	\$0	\$0	\$10,000	0.0%		
03273 Primary Care Services	\$223,258	\$0	\$0	\$223,258	0.2%		
03274 Ryan White Act, Title Ii	\$1,561,078	\$0	\$0	\$1,561,078	1.2%		
03275 Adult Viral Hepatitis Prevent	\$44,458	\$0	\$0	\$44,458	0.0%		
03294 Primary Care Services Ara	\$32,306	\$0	\$0	\$32,306	0.0%		
03310 Aca Mdcld Incent For Prev Of Cd	\$223,582	\$0	\$0	\$223,582	0.2%		
03328 Afford Care Act Miechvp Fmla	\$2,000,000	\$0	\$0	\$2,000,000	1.5%		
03334 Aca Community Transformation	\$1,538,390	\$0	\$0	\$1,538,390	1.2%		
03336 Food Inspection Program	\$170,058	\$0	\$0	\$170,058	0.1%		
03362 Data Integration	\$115,802	\$0	\$0	\$115,802	0.1%		
03366 Emsc Sproc	\$400,000	\$0	\$0	\$400,000	0.3%		
03370 Epi & Lab Surveillance E. Coli	\$741,000	\$0	\$0	\$741,000	0.6%		
03371 Mt Arthritis	\$856,918	\$0	\$0	\$856,918	0.7%		
03380 Cyschn	\$589,824	\$0	\$0	\$589,824	0.5%		
03392 Colorectal Cancer Screening	\$1,604,740	\$0	\$0	\$1,604,740	1.2%		
03396 Ryan White Hiv Treatment	\$11,108	\$0	\$0	\$11,108	0.0%		
03399 Healthy Communities	\$75,098	\$0	\$0	\$75,098	0.1%		
03402 Addressing Asthma	\$550,000	\$0	\$0	\$550,000	0.4%		
03420 Early Hearing Deficit Intrv	\$274,422	\$0	\$0	\$274,422	0.2%		
03421 Obesity Prevention	\$1,530,000	\$0	\$0	\$1,530,000	1.2%		
03451 69010-cdp For Brfs	\$936,878	\$0	\$0	\$936,878	0.7%		
03510 Heart Disease & Stroke Program	\$2,080,000	\$0	\$0	\$2,080,000	1.6%		
03541 State Loan Repayment Program	\$144,140	\$0	\$0	\$144,140	0.1%		
03596 03 Indirect Activity Prog 07	\$1,958,326	\$0	\$0	\$1,958,326	1.5%		
03689 6901-bioter Hosp Preparedness	\$3,222,042	\$0	\$0	\$3,222,042	2.5%		
03690 6901-rape Prev & Educ 93.126	\$237,565	\$0	\$0	\$237,565	0.2%		
03709 6901-rural Access Emerg Device	\$1,868	\$0	\$0	\$1,868	0.0%		
03711 6901-breast & Cervical Cancer	\$4,384,548	\$0	\$0	\$4,384,548	3.3%		
03712 6901-cancer Registries 93.283	\$566,379	\$0	\$0	\$566,379	0.4%		
03713 6901-wic Farmer Market 10.572	\$104,332	\$0	\$0	\$104,332	0.1%		
03788 Montana Disability And Health Progr	\$840,000	\$0	\$0	\$840,000	0.6%		
03822 Tobacco Control	\$1,715,945	\$0	\$0	\$1,715,945	1.3%		
03929 Seroprevalence/surveillance	\$136,684	\$0	\$0	\$136,684	0.1%		
03933 Affordable Care Act Elc	\$1,067,062	\$0	\$0	\$1,067,062	0.8%		
03936 Vaccination Program	\$2,367,520	\$0	\$0	\$2,367,520	1.8%		
03937 Std Program	\$645,676	\$0	\$0	\$645,676	0.5%		
03938 Aids Fed. Cat. #13.118	\$2,585,762	\$0	\$0	\$2,585,762	2.0%		
03959 Bioterrorism	\$9,178,840	\$0	\$0	\$9,178,840	7.0%		
03969 Bunker Hill	\$635,280	\$0	\$0	\$635,280	0.5%		
03979 Comprehensive Cancer Control	\$566,377	\$0	\$0	\$566,377	0.4%		
<b>Total All Funds</b>	<b>\$130,999,800</b>	<b>\$0</b>	<b>\$0</b>	<b>\$130,999,800</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

The 2015 biennium PSHD budget request is funded by general fund (6%), state special revenue (25%), and federal funds (69%). The major sources of state special revenue are:

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

<b>LFD COMMENT</b>	<p>The tobacco settlement funds and income from the tobacco settlement trust fund support several functions across the department and in the Office of the State Auditor. Issues and legislative options associated with these funding sources are discussed in the DPHHS agency narrative. There is \$3.7 million as of the end of FY 2015 in the tobacco settlement account and about \$400,000 in the tobacco settlement interest account that can be used to fund other legislative initiatives that are within the statutorily allowed uses</p>
------------------------	--

Federal funding sources supporting PSHD functions are categorical grants governed by federal laws that specify allowable uses for each. Figure 3 shows the major PSHD functions and the fund source(s) for each.

**Figure 3**

Public Health and Safety Division by Major Function			
Funding Type Supporting Function			
Major Program/Function	State		
	General Fund	Special Revenue*	Federal Funds
Administration - Division and Bureau	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.

<b>LFD ISSUE</b>	<u>Federal Sequestration</u>
<p>A significant number of public health functions administered by PSHD are funded from federal grants. Legislative staff requested a list of federal grants that fund PHSD that could be subject to potential federal sequestration as well as the FY 2012 grant amount and estimated reduction in each grant per sequestration guidelines. DPHHS did not provide the information in time to be compiled, evaluated, and included in the budget analysis. If federal grant funding for PHSD functions is reduced, the legislature may wish to request that DPHHS provide detailed information on the effect of these reductions including:</p> <ul style="list-style-type: none"> <li>○ The specific grant subject to reduction</li> <li>○ The amount of reduction by grant by fiscal year</li> <li>○ The specific actions DPHHS will take to implement the grant reductions</li> <li>○ The impacts of those actions</li> </ul> <p>This issue is also discussed in the agency overview.</p>	

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	3,598,646	3,598,646	7,197,292	89.58%	59,233,552	59,233,552	118,467,104	90.43%
Statewide PL Adjustments	234,429	237,539	471,968	5.87%	1,289,641	1,291,785	2,581,426	1.97%
Other PL Adjustments	182,400	182,400	364,800	4.54%	900,000	900,000	1,800,000	1.37%
New Proposals	0	0	0	0.00%	4,075,635	4,075,635	8,151,270	6.22%
<b>Total Budget</b>	<b>\$4,015,475</b>	<b>\$4,018,585</b>	<b>\$8,034,060</b>		<b>\$65,498,828</b>	<b>\$65,500,972</b>	<b>\$130,999,800</b>	

The majority of the PHSD 2015 biennium budget request funds continuation of present law services – about 94%. New proposals are about 6% of the total. The majority of the general fund increase supports statewide present law adjustments for personal services and fixed cost adjustments. The remaining present law general fund request offsets the anticipated reduction in federal grant funds that support the statewide poison control program and as noted later in the division discussion should be categorized as a new proposal because it is a funding shift

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,659,215					1,675,633
Vacancy Savings					(489,654)					(490,308)
Inflation/Deflation					(1,724)					61
Fixed Costs					121,804					106,399
<b>Total Statewide Present Law Adjustments</b>		<b>\$234,429</b>	<b>\$527,808</b>	<b>\$527,404</b>	<b>\$1,289,641</b>		<b>\$237,539</b>	<b>\$527,636</b>	<b>\$526,610</b>	<b>\$1,291,785</b>
DP 70104 - State Laboratory Operations	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
DP 70112 - Poison Control Hotline (contingent)	0.00	182,400	0	(182,400)	0	0.00	182,400	0	(182,400)	0
DP 70113 - Tobacco Use Prevention	0.00	0	750,000	0	750,000	0.00	0	750,000	0	750,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$182,400</b>	<b>\$900,000</b>	<b>(\$182,400)</b>	<b>\$900,000</b>	<b>0.00</b>	<b>\$182,400</b>	<b>\$900,000</b>	<b>(\$182,400)</b>	<b>\$900,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$416,829</b>	<b>\$1,427,808</b>	<b>\$345,004</b>	<b>\$2,189,641</b>	<b>0.00</b>	<b>\$419,939</b>	<b>\$1,427,636</b>	<b>\$344,210</b>	<b>\$2,191,785</b>

**LFD  
ISSUE**

Statewide Present Law Adjustments

The statewide present law adjustments for this division account for \$2.6 million of the \$4.4 million biennial increase, or more than one third of the total. The general fund increase due to statewide present law adjustments is nearly 60% of the biennial general fund increase.

Personal services adjustments are the lion’s share of the statewide present law increase. About \$700,00 of the biennial increase is due to pay increases granted by DPHHS late in FY 2012 and about \$740,000 is due to other adjustments such as longevity increases and changes in employer taxes, including workers’ compensation rates. Personal services issues are discussed in more detail in the agency narrative.

Some PHSD statewide present law adjustments are funded entirely from general fund or at a higher percentage of general fund than base budget expenditures. In these instances LFD staff requested information as to why the adjustments were not allocated across all funding sources or were not allocated according to base budget funding percentages. Information was not received in time to be compiled, evaluated, and included in the analysis. The legislature may wish to consider reviewing present law personal services adjustments that are funded from a higher percentage of general fund than base budget expenditures for the following functions:

- o Emergency medical services
- o Asthma and diabetes control
- o Women and men’s health
- o Food and consumer safety
- o Communicable disease and epidemiology
- o Cost allocated administration

**New Proposals**

Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70100 - Community Transformation Grant										
07	0.00	0	0	769,195	769,195	0.00	0	0	769,195	769,195
DP 70103 - Improve Serv for Children With Special Hlt Needs										
07	0.00	0	0	294,912	294,912	0.00	0	0	294,912	294,912
DP 70105 - EPI and Laboratory Capacity Grant										
07	0.00	0	0	533,531	533,531	0.00	0	0	533,531	533,531
DP 70106 - Medicaid Incentive Grant										
07	0.00	0	0	111,791	111,791	0.00	0	0	111,791	111,791
DP 70108 - MIEC Home Visiting Program - Formula										
07	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 70109 - Public Health System Improvement Grant										
07	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
DP 70110 - State Loan Repayment Program										
07	0.00	0	0	35,617	35,617	0.00	0	0	35,617	35,617
DP 70118 - Asthma Home Visiting										
07	0.00	0	90,000	0	90,000	0.00	0	90,000	0	90,000
DP 70119 - Heart Disease & Diabetes Prevention Program										
07	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
DP 70120 - Genetics Program										
07	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
DP 70121 - State-Based Arthritis Program										
07	0.00	0	0	428,459	428,459	0.00	0	0	428,459	428,459
DP 70122 - Regional Emergency Pediatric Services Grant										
07	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 70124 - Syndromic Surveillance Program										
07	0.00	0	0	137,130	137,130	0.00	0	0	137,130	137,130
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$415,000</b>	<b>\$3,660,635</b>	<b>\$4,075,635</b>	<b>0.00</b>	<b>\$0</b>	<b>\$415,000</b>	<b>\$3,660,635</b>	<b>\$4,075,635</b>

**Sub-Program Details**

**PUBLIC HEALTH & SAFETY DIVISION 01**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget									
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15	
FTE	34.00	0.00	0.00	34.00	0.00	0.00	34.00	34.00	
Personal Services	2,106,604	197,256	0	2,303,860	200,865	0	2,307,469	4,611,329	
Operating Expenses	896,935	27,967	103,277	1,028,179	28,070	103,204	1,028,209	2,056,388	
Grants	45,000	0	46,723	91,723	0	46,796	91,796	183,519	
<b>Total Costs</b>	<b>\$3,048,539</b>	<b>\$225,223</b>	<b>\$150,000</b>	<b>\$3,423,762</b>	<b>\$228,935</b>	<b>\$150,000</b>	<b>\$3,427,474</b>	<b>\$6,851,236</b>	
General Fund	663,127	126,782	0	789,909	127,801	0	790,928	1,580,837	
State/Other Special	835,446	89,836	0	925,282	91,185	0	926,631	1,851,913	
Federal Special	1,549,966	8,605	150,000	1,708,571	9,949	150,000	1,709,915	3,418,486	
<b>Total Funds</b>	<b>\$3,048,539</b>	<b>\$225,223</b>	<b>\$150,000</b>	<b>\$3,423,762</b>	<b>\$228,935</b>	<b>\$150,000</b>	<b>\$3,427,474</b>	<b>\$6,851,236</b>	

**Sub-Program Description**

The Public Health and Safety Division Administration function provides oversight and administrative support for the four bureaus and the Office of Epidemiology and Scientific Support. The sub-program also includes the Vital Statistics program and the behavior risk factor surveillance function.

**Sub-Program Narrative**

The division administration sub-program budget request is about \$0.8 million higher than the FY 2012 base budget doubled. The majority of the increase is due to statewide present law adjustments for pay increases and offsets for vacancies in FY 2012, while a \$0.3 million request for federal grant funds supports a public health system improvement project.

Just under one half of the division administration sub-program budget is supported through indirect cost recovery allocations applied to the expenses of all division programs through a federally approved cost allocation plan. The Office of Vital Statistics is about 27% of the total 2015 biennium request and is supported through general fund and state special revenue.

General fund supports 23% of 2015 biennium budget request, state special revenue supports 27%, and federal funds support 50%.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	663,127	663,127	1,326,254	83.90%	3,048,539	3,048,539	6,097,078	88.99%
Statewide PL Adjustments	126,782	127,801	254,583	16.10%	225,223	228,935	454,158	6.63%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	150,000	150,000	300,000	4.38%
<b>Total Budget</b>	<b>\$789,909</b>	<b>\$790,928</b>	<b>\$1,580,837</b>		<b>\$3,423,762</b>	<b>\$3,427,474</b>	<b>\$6,851,236</b>	

The majority of the 2015 biennium budget increase continues base budget and statewide present law adjustments for personal services and fixed cost increases. A single new proposal to prepare Montana for national public health accreditation adds \$300,000 in federal funds.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					293,251					297,009
Vacancy Savings					(95,995)					(96,144)
Inflation/Deflation					48					151
Fixed Costs					27,919					27,919
<b>Total Statewide Present Law Adjustments</b>		<b>\$126,782</b>	<b>\$89,836</b>	<b>\$8,605</b>	<b>\$225,223</b>		<b>\$127,801</b>	<b>\$91,185</b>	<b>\$9,949</b>	<b>\$228,935</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$126,782</b>	<b>\$89,836</b>	<b>\$8,605</b>	<b>\$225,223</b>	<b>0.00</b>	<b>\$127,801</b>	<b>\$91,185</b>	<b>\$9,949</b>	<b>\$228,935</b>

**New Proposals**

Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70109 - Public Health System Improvement Grant										
01	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$150,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$150,000</b>

DP 70109 - Public Health System Improvement Grant - This new proposal would be used to prepare Montana for national public health accreditation by meeting public health practice standards and implementing quality improvement activities. The request is funded by federal grant funds.

PHSD would use funding from the National Public Health Improvement Initiative to continue to strengthen and improve Montana's public health system through the following key activities:

- o To bring public health programs and practices into alignment with national public health standards and measurements as set forth by the Public Health Accreditation Board
- o To implement performance and quality improvement activities and increase the use of evidence-based interventions to increase the effectiveness of programs and practices
- o To bring public health programs and practices of local and tribal public health departments into alignment with national public health standards and measurements
- o To provide training and technical assistance that will prepare state, local and tribal public health agencies for voluntary national accreditation

**Sub-Program Details**

**CHRONIC DISEASE PREV & HEALTH PROMOTION 03**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	48.00	0.00	0.00	48.00	0.00	0.00	48.00	48.00
Personal Services	2,511,147	381,980	0	2,893,127	387,636	0	2,898,783	5,791,910
Operating Expenses	5,219,618	13,813	750,515	5,983,946	14,458	750,346	5,984,422	11,968,368
Equipment & Intangible Assets	7,815	0	0	7,815	0	0	7,815	15,630
Grants	6,689,528	750,000	973,930	8,413,458	750,000	974,099	8,413,627	16,827,085
Benefits & Claims	1,111,367	0	0	1,111,367	0	0	1,111,367	2,222,734
<b>Total Costs</b>	<b>\$15,539,475</b>	<b>\$1,145,793</b>	<b>\$1,724,445</b>	<b>\$18,409,713</b>	<b>\$1,152,094</b>	<b>\$1,724,445</b>	<b>\$18,416,014</b>	<b>\$36,825,727</b>
General Fund	555,020	271,456	0	826,476	271,450	0	826,470	1,652,946
State/Other Special	7,423,955	892,360	215,000	8,531,315	899,946	215,000	8,538,901	17,070,216
Federal Special	7,560,500	(18,023)	1,509,445	9,051,922	(19,302)	1,509,445	9,050,643	18,102,565
<b>Total Funds</b>	<b>\$15,539,475</b>	<b>\$1,145,793</b>	<b>\$1,724,445</b>	<b>\$18,409,713</b>	<b>\$1,152,094</b>	<b>\$1,724,445</b>	<b>\$18,416,014</b>	<b>\$36,825,727</b>

**Sub-Program Description**

The Chronic Disease Prevention and Health Promotion Bureau administers the following functions:

- Cardiovascular health
- Diabetes control and prevention
- Nutrition and physical activity
- Cancer control
- Emergency medical services, trauma systems, and injury prevention
- Asthma control
- Tobacco use prevention and cessation

Surveillance, health status, and health care service information is used to monitor health conditions in Montana and to direct the efforts of the various programs within the bureau.

**Sub-Program Narrative**

The 2015 biennium budget request is \$5.7 million greater than the FY 2012 base, including \$0.5 million general fund. The changes are:

- \$3.4 million in federal grants for new proposals to test financial incentives to encourage Medicaid enrollees to implement healthy lifestyle changes, implement an arthritis program, and enhance emergency pediatric services and several chronic disease prevention activities
- \$2.3 million total funds (including \$0.4 million general fund) for statewide present law and present law adjustments to increase tobacco prevention efforts targeted to young people, to expand asthma, heart disease, and diabetes services prevention and treatment, and to offset a potential loss of federal grant funds for the poison control hotline

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	555,020	555,020	1,110,040	67.16%	15,539,475	15,539,475	31,078,950	84.39%
Statewide PL Adjustments	89,056	89,050	178,106	10.78%	395,793	402,094	797,887	2.17%
Other PL Adjustments	182,400	182,400	364,800	22.07%	750,000	750,000	1,500,000	4.07%
New Proposals	0	0	0	0.00%	1,724,445	1,724,445	3,448,890	9.37%
<b>Total Budget</b>	<b>\$826,476</b>	<b>\$826,470</b>	<b>\$1,652,946</b>		<b>\$18,409,713</b>	<b>\$18,416,014</b>	<b>\$36,825,727</b>	

Most of the funding requested (91%) for the 2015 biennium budget supports present law services. New proposals to add federal grant funds are 9% of the biennial request.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					502,526					508,417
Vacancy Savings					(120,546)					(120,781)
Inflation/Deflation					59					704
Fixed Costs					13,754					13,754
<b>Total Statewide Present Law Adjustments</b>		<b>\$89,056</b>	<b>\$142,360</b>	<b>\$164,377</b>	<b>\$395,793</b>		<b>\$89,050</b>	<b>\$149,946</b>	<b>\$163,098</b>	<b>\$402,094</b>
DP 70112 - Poison Control Hotline (contingent)	0.00	182,400	0	(182,400)	0	0.00	182,400	0	(182,400)	0
DP 70113 - Tobacco Use Prevention	0.00	0	750,000	0	750,000	0.00	0	750,000	0	750,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$182,400</b>	<b>\$750,000</b>	<b>(\$182,400)</b>	<b>\$750,000</b>	<b>0.00</b>	<b>\$182,400</b>	<b>\$750,000</b>	<b>(\$182,400)</b>	<b>\$750,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$271,456</b>	<b>\$892,360</b>	<b>(\$18,023)</b>	<b>\$1,145,793</b>	<b>0.00</b>	<b>\$271,450</b>	<b>\$899,946</b>	<b>(\$19,302)</b>	<b>\$1,152,094</b>

DP 70112 - Poison Control Hotline (Contingent) - This request would cover a portion of the cost of providing 24/7 access to information and consultation regarding poisonous substances for citizens and health care providers. These costs were previously covered with federal funds that are proposed to be eliminated from the federal budget. This request is contingent upon elimination of the federal funds.

<b>LFD ISSUE</b>	<u>Contingent HB 2 Language and New Proposal</u>
	<p>The poison control function and several other functions are funded from the health and prevention services block grant. LFD staff has requested the following information from PHSD:</p> <ul style="list-style-type: none"> <li>○ What is the anticipated total federal grant amount for each year of the 2015 biennium?</li> <li>○ What other sources of funding did DPHHS consider to offset the potential loss of federal grant funds?</li> </ul> <p>If the legislature opts to approve the executive budget request, it could consider language restricting the use of the appropriation and limiting the amount of general fund to reduction in the federal grant. An example of such language would be:</p> <p>“If the federal health and prevention services grant is below (a specified amount) in either FY 2014 or FY 2015, general fund is appropriated up to the amount of the shortfall, but not to exceed \$182,400 in either year. The federal funds appropriated for Poison Control Hotline must be reduced by an amount equal to the general fund increase.”</p> <p>If the legislature includes the contingency language it could also consider removing the federal funding reduction in this request.</p> <p>This funding switch is characterized as a present law adjustment, but should be listed as a new proposal. If the legislature approves the request, it may wish to direct staff to change the categorization.</p>

DP 70113 - Tobacco Use Prevention - This present law adjustment for the Montana Tobacco Use Prevention Program would fund youth prevention activities including increasing awareness of the dangers of tobacco use, creating educational materials and campaigns geared toward children and teens, and building youth leadership skills. The request is for \$750,000 in each year of the biennium from tobacco settlement state special revenue, as provided in 17-6-606, MCA.

New Proposals

New Proposals										
Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70100 - Community Transformation Grant										
03	0.00	0	0	769,195	769,195	0.00	0	0	769,195	769,195
DP 70106 - Medicaid Incentive Grant										
03	0.00	0	0	111,791	111,791	0.00	0	0	111,791	111,791
DP 70118 - Asthma Home Visiting										
03	0.00	0	90,000	0	90,000	0.00	0	90,000	0	90,000
DP 70119 - Heart Disease & Diabetes Prevention Program										
03	0.00	0	125,000	0	125,000	0.00	0	125,000	0	125,000
DP 70121 - State-Based Arthritis Program										
03	0.00	0	0	428,459	428,459	0.00	0	0	428,459	428,459
DP 70122 - Regional Emergency Pediatric Services Grant										
03	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$215,000</b>	<b>\$1,509,445</b>	<b>\$1,724,445</b>	<b>0.00</b>	<b>\$0</b>	<b>\$215,000</b>	<b>\$1,509,445</b>	<b>\$1,724,445</b>

DP 70100 - Community Transformation Grant - This new proposal would fund statewide chronic disease prevention activities including a hospital-based breast feeding initiative, work site health promotion focusing on nutrition and physical activity, community-based cardiovascular disease prevention, and coordination with local and tribal health departments to implement smoke free public housing policies. The request is supported by federal grant funds.

DP 70106 - Medicaid Incentive Grant - This new proposal would be used to test the results of providing financial incentives via a debit card to adults enrolled in Medicaid who are participating in an evidence-based lifestyle intervention to reduce their risk of developing diabetes. The request is funded from the federal Medicaid Incentive Grant.

<b>LFD ISSUE</b>	<p><u>Outcome Measures</u></p> <p>Legislative staff requested a copy of the federal grant and the PHSD grant application in order to determine the outcome measures for this grant. The information was not provided in time to be reviewed, evaluated and included in the budget analysis.</p> <p>The legislature may wish to review the outcome measures that will be tracked and reported for this federal grant when it considers the appropriation request. The legislature may wish to request that the outcome measures be augmented if it desires additional information, especially related to Medicaid services costs. It may wish to direct that PHSD provide project results to appropriate interim committees or the next legislature.</p>
----------------------	---

DP 70118 - Asthma Home Visiting - This present law adjustment would add three additional sites to provide services to children ages 0-17 with uncontrolled asthma. Children and families served by the program receive environmental home assessments to identify and mitigate asthma triggers, education to better manage the condition, and assistance in coordinating care with schools and primary care providers. The request is funded from tobacco settlement state special revenue as provided in 17-6-606, MCA.

DP 70119 - Heart Disease & Diabetes Prevention Program - This present law adjustment would fund five additional program sites. This program is based on the National Institutes of Health Diabetes Prevention Program (DPP), a lifestyle intervention that prevents the development of diabetes among high-risk adults through reduced fat and caloric intake and increased physical activity. The request is funded from tobacco settlement state special revenue as provided in 17-6-606, MCA.

DP 70121 - State-Based Arthritis Program - This new proposal would fund health education efforts to increase awareness of the benefits of physical activity among Montanans with arthritis, to implement arthritis control activities, and to monitor the burden of arthritis in Montana. The proposal is funded from federal funds.

DP 70122 - Regional Emergency Pediatric Services Grant - This new proposal would fund a pediatric illness and injury demonstration project in rural and tribal communities. The state would partner with a hospital/provider specializing in pediatric care to develop approaches to improved pediatric capacity. The request is supported by federal funds.

**Sub-Program Details**

**FAMILY & COMMUNITY HEALTH 04**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	30.73	0.00	0.00	30.73	0.00	0.00	30.73	30.73
Personal Services	1,686,208	216,273	0	1,902,481	216,806	0	1,903,014	3,805,495
Operating Expenses	1,431,669	4,817	398,425	1,834,911	5,066	398,141	1,834,876	3,669,787
Grants	8,305,919	0	1,132,104	9,438,023	0	1,132,388	9,438,307	18,876,330
Benefits & Claims	12,730,292	0	0	12,730,292	0	0	12,730,292	25,460,584
<b>Total Costs</b>	<b>\$24,154,088</b>	<b>\$221,090</b>	<b>\$1,530,529</b>	<b>\$25,905,707</b>	<b>\$221,872</b>	<b>\$1,530,529</b>	<b>\$25,906,489</b>	<b>\$51,812,196</b>
General Fund	807,567	357	0	807,924	389	0	807,956	1,615,880
State/Other Special	2,332,750	8,006	200,000	2,540,756	7,642	200,000	2,540,392	5,081,148
Federal Special	21,013,771	212,727	1,330,529	22,557,027	213,841	1,330,529	22,558,141	45,115,168
<b>Total Funds</b>	<b>\$24,154,088</b>	<b>\$221,090</b>	<b>\$1,530,529</b>	<b>\$25,905,707</b>	<b>\$221,872</b>	<b>\$1,530,529</b>	<b>\$25,906,489</b>	<b>\$51,812,196</b>

**Sub-Program Description**

The Family and Community Health Bureau programs and services are designed to improve the health of Montana women, children, and families. The bureau administers following programs:

- o Maternal and child health data monitoring
- o Infant, child, and maternal health including public home health visiting and MIAMI (Montana Initiative for the Abatement of Mortality in Infants) programs
- o Women, Infants, and Children (WIC) Nutrition program
- o Women’s and men’s health including family planning, teen pregnancy prevention, and women’s health services
- o Children’s Special Health Services incorporating specialty clinics, newborn metabolic and hearing screening, and genetics services

**Sub-Program Narrative**

The Family and Community Health Bureau 2015 biennium budget request is \$3.5 million higher than the FY 2012 base budget. The majority of the increase - \$1.3 million annually – adds federal grant funds to:

- o Improve services for children with special needs
- o Improve pregnancy outcomes and the health, development and school readiness of children ages 0 through 5
- o Provide loan repayment funds for nurse practitioners, physician assistants, certified nurse midwives, dental and mental health professionals working in health professional shortage areas

**LFD ISSUE** Information to Evaluate New Proposals

Legislative staff requested the following information about the federal grant proposals in order to evaluate the proposals:

- Estimated number of persons that will be served or participate
- Types of services provided
- Average loan repayment amounts and average loan reduction

The information was not provided in time to be evaluated and included in the budget analysis. The legislature may wish to review information related to the proposed outcomes of the new proposals prior to taking action on them. The legislature may wish to review whether the funding should be designated as one time unless PHSD can provide information that the programs will be ongoing.

General fund supports 6% of the 2015 biennium budget request, state special revenues support 25%, and federal funds support 69%. Federal WIC nutrition funds support \$10.4 million annually for vouchers for food for low-income women and young children. WIC services comprise the majority of the expenditures for benefits and claims (direct services to individuals).

**LFD COMMENT**

The 2011 Legislature eliminated \$5.7 million in federal family planning funds from the 2013 biennium executive budget request. However, the legislature approved the Governor’s amendatory veto of HB 2 that included \$51.5 million of federal special revenue allocated to the Health Resources Division and added the following HB 2 language governing the appropriation: “Federal special revenue appropriated to the Department of Public Health and Human Services may be allocated among programs when developing 2013 biennial operating plans.” In FY 2012, DPHHS transferred \$2.3 million in federal authority from the federal appropriation to PHSD to expend federal Title X funds.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	807,567	807,567	1,615,134	99.95%	24,154,088	24,154,088	48,308,176	93.24%
Statewide PL Adjustments	357	389	746	0.05%	221,090	221,872	442,962	0.85%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	1,530,529	1,530,529	3,061,058	5.91%
<b>Total Budget</b>	<b>\$807,924</b>	<b>\$807,956</b>	<b>\$1,615,880</b>		<b>\$25,905,707</b>	<b>\$25,906,489</b>	<b>\$51,812,196</b>	

Over 94% of the PHSD budget request supports present law services. Requests for federal grant funds add \$3.1 million in new proposals over the 2015 biennium.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					295,542					296,099
Vacancy Savings					(79,269)					(79,293)
Inflation/Deflation					(83)					166
Fixed Costs					4,900					4,900
<b>Total Statewide Present Law Adjustments</b>		<b>\$357</b>	<b>\$8,006</b>	<b>\$212,727</b>	<b>\$221,090</b>		<b>\$389</b>	<b>\$7,642</b>	<b>\$213,841</b>	<b>\$221,872</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$357</b>	<b>\$8,006</b>	<b>\$212,727</b>	<b>\$221,090</b>	<b>0.00</b>	<b>\$389</b>	<b>\$7,642</b>	<b>\$213,841</b>	<b>\$221,872</b>

Statewide present law adjustments for personal services add about \$430,000 over the biennium. Increases are due to pay raises implemented by DPHHS in late FY 2012 and fully funding positions that were vacant during the base year. Personal services adjustments are discussed in the agency overview.

**New Proposals**

Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70103 - Improve Services for Children With Special Health Needs										
04	0.00	0	0	294,912	294,912	0.00	0	0	294,912	294,912
DP 70108 - MIEC Home Visiting Program - Formula										
04	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 70110 - State Loan Repayment Program										
04	0.00	0	0	35,617	35,617	0.00	0	0	35,617	35,617
DP 70120 - Genetics Program										
04	0.00	0	200,000	0	200,000	0.00	0	200,000	0	200,000
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$200,000</b>	<b>\$1,330,529</b>	<b>\$1,530,529</b>	<b>0.00</b>	<b>\$0</b>	<b>\$200,000</b>	<b>\$1,330,529</b>	<b>\$1,530,529</b>

DP 70103 - Improve Services for Children With Special Health Needs - This new proposal would expand services for children and youth with special health needs by providing funding to community-based organizations, health care providers, and other partners for education, care coordination, assistance navigating the health care system, and other supportive services. Specifically this funding would be used to:

- o Establish a Montana Parents as Mentors program
- o Enhance transition services for youth with disabilities and their families as they transition into adulthood
- o Establish a link to available resources for Montana families with children with special health care needs and health care providers via the Utah Medical Home Web Portal
- o Provide trainings and technical assistance for Montana providers and partners to increase coordination of care for children and youth with special health care needs

DP 70108 - MIEC Home Visiting Program - Formula - This new proposal would be used to improve pregnancy outcomes and the health, development and school readiness of children up to the age of 5. Local and tribal health departments provide these services to high risk children and families. The request is funded from the federal Maternal, Infant and Early Childhood Home Visiting Grant.

The program provides evidence-based home visiting services to women, children, and families through six contracts with local public health departments. Additional funding would be used to:

- o Implement national home visiting models (Parents as Teachers and Nurse-Family Partnership) according to national model standards

- Provide additional services including health, hearing, vision, and developmental assessments and screenings, connecting families to resources, and providing education and support to parents on healthy pregnancies, overall health, child's health and development, school readiness, development-centered parenting, positive parent-child interaction, and family well-being

DP 70110 - State Loan Repayment Program - This new proposal would provide loan repayment funds for nurse practitioners, physician assistants, certified nurse midwives, dental and mental health professionals working in health professional shortage areas. The request is supported by federal funds.

**LFD  
ISSUE**Delayed Receipt of Information

Legislative staff requested the following information about this new proposal and expected outcomes:

- What are the eligibility criteria to participate in the program other than to practice in a medical shortage area?
- How many persons will receive assistance with loan repayment?
- What is the average amount of assistance per person?
- About how much of an average loan would be repaid?

The information was received too late to be evaluated and included in the budget analysis. Legislators may wish to review the information requested prior to taking action on the request.

DP 70120 - Genetics Program - This present law adjustment would add state special revenue to fund enhanced clinical services and provide additional regional clinics and laboratory testing. The request is funded from a \$1 fee charged for each Montana resident insured under any individual or group disability or health insurance policy including the state employee group plan. The fee may be used only to fund the statewide genetics program established (33-2-713, MCA).

**LFD  
ISSUE**Replace Tobacco Settlement Trust Interest with Genetics Fee Revenue

The present law budget for the genetics program includes \$41,462 in tobacco settlement trust interest each year of the biennium. The 2011 Legislature did not appropriate tobacco settlement trust to the genetics program. There is excess revenue from the genetics fee that could be used in place of the tobacco settlement trust interest, freeing up tobacco settlement trust interest for other uses.

The tobacco settlement trust fund is established in Article 4 of the Montana Constitution. Appropriations of the interest or income from the trust fund may be used only for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana. Further appropriations of the interest or income from the trust fund may not be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of the people of Montana. The legislature could use the freed up tobacco trust interest for other uses.

**Sub-Program Details****COMMUNICABLE DISEASE CONTROL & PREV 05****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	27.58	0.00	0.00	27.58	0.00	0.00	27.58	27.58
Personal Services	1,497,097	70,887	0	1,567,984	73,711	0	1,570,808	3,138,792
Operating Expenses	1,067,827	15,215	137,130	1,220,172	15,505	137,130	1,220,462	2,440,634
Grants	3,459,066	0	0	3,459,066	0	0	3,459,066	6,918,132
Benefits & Claims	814,618	0	0	814,618	0	0	814,618	1,629,236
<b>Total Costs</b>	<b>\$6,838,608</b>	<b>\$86,102</b>	<b>\$137,130</b>	<b>\$7,061,840</b>	<b>\$89,216</b>	<b>\$137,130</b>	<b>\$7,064,954</b>	<b>\$14,126,794</b>
General Fund	1,013,243	18,234	0	1,031,477	20,099	0	1,033,342	2,064,819
State/Other Special	1,442,240	0	0	1,442,240	0	0	1,442,240	2,884,480
Federal Special	4,383,125	67,868	137,130	4,588,123	69,117	137,130	4,589,372	9,177,495
<b>Total Funds</b>	<b>\$6,838,608</b>	<b>\$86,102</b>	<b>\$137,130</b>	<b>\$7,061,840</b>	<b>\$89,216</b>	<b>\$137,130</b>	<b>\$7,064,954</b>	<b>\$14,126,794</b>

**Sub-Program Description**

The Communicable Disease Control and Prevention Bureau administers the following public health functions:

- o Disease surveillance and investigation
- o Education and training
- o Food and consumer safety
- o Communicable disease and epidemiology
- o HIV and sexually transmitted disease (STD) prevention
- o Immunizations

**Sub-Program Narrative**

The 2015 biennium budget request is about \$0.4 million greater than the base budget. Most of the increase supports a new proposal to add federal grant funds to coordinate activities to detect and monitor disease occurrence as early as possible.

General fund supports 15% of the 2015 biennium budget request, state special revenues support 20%, and federal funds support 65%. The majority of the general fund supports food and consumer safety activities, with the remainder almost evenly split between the communicable disease and epidemiology and HIV/STD preventions sections.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	1,013,243	1,013,243	2,026,486	98.14%	6,838,608	6,838,608	13,677,216	96.82%
Statewide PL Adjustments	18,234	20,099	38,333	1.86%	86,102	89,216	175,318	1.24%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	137,130	137,130	274,260	1.94%
<b>Total Budget</b>	<b>\$1,031,477</b>	<b>\$1,033,342</b>	<b>\$2,064,819</b>		<b>\$7,061,840</b>	<b>\$7,064,954</b>	<b>\$14,126,794</b>	

About 97% of the 2015 biennium budget request funds continuation of the base budget. Statewide present law adjustments are about 1% of the total request and a new proposal for federal grant funds is 2% of the total request.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Present Law Adjustments										
Personal Services					136,222					139,159
Vacancy Savings					(65,335)					(65,448)
Inflation/Deflation					(469)					(179)
Fixed Costs					15,684					15,684
<b>Total Statewide Present Law Adjustments</b>		<b>\$18,234</b>	<b>\$0</b>	<b>\$67,868</b>	<b>\$86,102</b>		<b>\$20,099</b>	<b>\$0</b>	<b>\$69,117</b>	
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$18,234</b>	<b>\$0</b>	<b>\$67,868</b>	<b>\$86,102</b>	<b>0.00</b>	<b>\$20,099</b>	<b>\$0</b>	<b>\$69,117</b>	<b>\$89,216</b>

**New Proposals**

Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70124 - Syndromic Surveillance Program										
05	0.00	0	0	137,130	137,130	0.00	0	0	137,130	137,130
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$137,130</b>	<b>\$137,130</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$137,130</b>	<b>\$137,130</b>

DP 70124 - Syndromic Surveillance Program - This new proposal would be used to coordinate activities to detect and monitor disease occurrence as early as possible. Training and technical assistance would be provided to Montana hospitals and health care facilities to collect the relevant data. The request is funded from federal funds.

**Sub-Program Details**

**STATE LABORATORIES 07**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	31.69	0.00	0.00	31.69	0.00	0.00	31.69	31.69
Personal Services	1,598,838	267,586	0	1,866,424	269,152	0	1,867,990	3,734,414
Operating Expenses	1,826,261	188,980	533,531	2,548,772	178,871	533,531	2,538,663	5,087,435
Equipment & Intangible Assets	216,741	0	0	216,741	0	0	216,741	433,482
<b>Total Costs</b>	<b>\$3,641,840</b>	<b>\$456,566</b>	<b>\$533,531</b>	<b>\$4,631,937</b>	<b>\$448,023</b>	<b>\$533,531</b>	<b>\$4,623,394</b>	<b>\$9,255,331</b>
General Fund	559,689	0	0	559,689	200	0	559,889	1,119,578
State/Other Special	2,730,611	437,606	0	3,168,217	428,863	0	3,159,474	6,327,691
Federal Special	351,540	18,960	533,531	904,031	18,960	533,531	904,031	1,808,062
<b>Total Funds</b>	<b>\$3,641,840</b>	<b>\$456,566</b>	<b>\$533,531</b>	<b>\$4,631,937</b>	<b>\$448,023</b>	<b>\$533,531</b>	<b>\$4,623,394</b>	<b>\$9,255,331</b>

**Sub-Program Description**

The Laboratory Services Bureau administers:

- o The environment laboratory section
- o The microbiology/molecular section
- o The serology/newborn screening/preparedness section

The bureau focuses on the prevention and control of disease and the improvement of community health by providing testing in support of disease assessment and control.

**Sub-Program Narrative**

The 2015 biennium budget request is \$2.0 million higher than the FY 2012 base budget. Just under one half of the increase supports present law services, while the balance adds a new proposal for federal grant funding to improve laboratory capacity in Montana. The majority of the present law increase (\$0.6 million) funds statewide present law adjustments to fully fund personal services, including pay increases, and for fixed costs.

General fund supports 12% of the budget request, state special revenues support 68%, and federal funds support 20%. General fund is held constant at the FY 2012 base level.

LFD  
COMMENT

The 2011 Legislature appropriated \$341,363 general fund each year of the 2013 biennium to support the Laboratory Services Bureau compared to base budget expenditures of \$559,689. The 2011 Legislature anticipated that 2013 biennium budget increases would be funded by higher laboratory fees. However, fee income did not rise as much as anticipated and general fund was transferred from Medicaid services appropriations. This issue is discussed in the agency overview.

Legislative staff has identified an issue with ongoing adequacy of laboratory fee income in the 2015 biennium that is discussed in the present law adjustments for this function. See DP 70104-State Laboratory Operations.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	559,689	559,689	1,119,378	99.98%	3,641,840	3,641,840	7,283,680	78.70%
Statewide PL Adjustments	0	200	200	0.02%	306,566	298,023	604,589	6.53%
Other PL Adjustments	0	0	0	0.00%	150,000	150,000	300,000	3.24%
New Proposals	0	0	0	0.00%	533,531	533,531	1,067,062	11.53%
<b>Total Budget</b>	<b>\$559,689</b>	<b>\$559,889</b>	<b>\$1,119,578</b>		<b>\$4,631,937</b>	<b>\$4,623,394</b>	<b>\$9,255,331</b>	

The majority of the 2015 biennium budget request continues present law services. New proposals are 12% of the total request and add federal grant funds.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					345,351					346,984
Vacancy Savings					(77,765)					(77,832)
Inflation/Deflation					(676)					(380)
Fixed Costs					39,656					29,251
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$287,606</b>	<b>\$18,960</b>	<b>\$306,566</b>		<b>\$200</b>	<b>\$278,863</b>	<b>\$18,960</b>	<b>\$298,023</b>
DP 70104 - State Laboratory Operations	0.00	0	150,000	0	150,000	0.00	0	150,000	0	150,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$150,000</b>	<b>0.00</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$0</b>	<b>\$150,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$437,606</b>	<b>\$18,960</b>	<b>\$456,566</b>	<b>0.00</b>	<b>\$200</b>	<b>\$428,863</b>	<b>\$18,960</b>	<b>\$448,023</b>

Personal services statewide present law adjustments add almost \$700,000 over the biennium. Fully funding vacant positions adds about \$150,000. DPHHS granted pay raises in the later part of FY 2012. This issue is addressed in the agency overview. LFD staff has requested that DPHHS provide the effect of the pay raise for the laboratory function.

DP 70104 - State Laboratory Operations - This present law adjustment adds \$150,000 in state special revenue for the Public Health Laboratory to meet projected increases in laboratory supplies and operating expenses. Funding would be from revenues generated by laboratory testing services.

LFD  
ISSUE

Fee Income Appears to be Inadequate to Support Executive Budget

Figure 4 shows the FY 2012 actual fund balance for public health laboratory fees compared to the FY 2013 appropriation and 2015 executive budget request. Fee income does not appear adequate to support ongoing expenditures from the account.

**Figure 4**

Public Health Laboratory Fees					
Allocation of Revenue, Expenditures, and Fund Balance	Actual	Appropriated	Budget Request		Biennial % of Ttl
	FY 2012	FY 2013	FY 2014	FY 2015	
Beginning Fund Balance	\$179,744	\$320,201	\$0	\$0	
Revenues	<u>3,279,483</u>	<u>2,979,753</u>	<u>3,183,200</u>	<u>3,183,200</u>	
Total Available for Appropriation	3,459,227	3,299,954	3,183,200	3,183,200	
Expenditures					
Public Health Laboratory Expenditures	2,730,611	3,027,968	3,168,217	3,159,474	87.4%
DPHHS Cost Allocated Administration**	<u>403,796</u>	<u>423,986</u>	<u>445,185</u>	<u>467,444</u>	<u>12.6%</u>
Subtotal Expenditures	<u>3,134,407</u>	<u>3,451,954</u>	<u>3,613,402</u>	<u>3,626,918</u>	<u>100.0%</u>
Adjustments	<u>(4,619)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Percentage Annual Change		10.1%	4.7%	0.4%	
Ending Fund Balance	<u>\$320,201</u>	<u>(\$152,000)</u>	<u>(\$430,202)</u>	<u>(\$443,718)</u>	

Expenditures must be reduced, fees must be increased, or general fund must be transferred to support ongoing functions supported by laboratory fee income. The legislature may wish to ask that PHSD identify what action it will take to address the projected fee income shortfall.

LFD Budget Analysis

B-100

2015 Biennium

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 70105 - EPI and Laboratory Capacity Grant											
07	0.00	0	0	533,531	533,531	0.00	0	0	533,531	533,531	
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$533,531</b>	<b>\$533,531</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$533,531</b>	<b>\$533,531</b>	

DP 70105 - EPI and Laboratory Capacity Grant - This new proposal would fund enhancements in epidemiology and laboratory capacity in Montana and in coordination and implementation of health care associated infection prevention activities. The request is supported by the federal Epidemiology and Laboratory Capacity Grant.

LFD  
ISSUE

Delayed Receipt of Information

Legislative staff requested the following information about this new proposal:

- What specific activities are funded by this grant?
- How many laboratories will receive funds?
- Will public and private laboratories receive funds?

The information was received too late to be evaluated and included in the budget analysis. Legislators may wish to review the information requested prior to taking action on the request.

**Sub-Program Details**

**PUBLIC HEALTH SYS IMPROV & PREPAREDNESS 08**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	19.96	0.00	0.00	19.96	0.00	0.00	19.96	19.96
Personal Services	1,182,270	35,579	0	1,217,849	37,155	0	1,219,425	2,437,274
Operating Expenses	1,888,470	19,288	0	1,907,758	14,490	0	1,902,960	3,810,718
Grants	2,940,262	0	0	2,940,262	0	0	2,940,262	5,880,524
<b>Total Costs</b>	<b>\$6,011,002</b>	<b>\$54,867</b>	<b>\$0</b>	<b>\$6,065,869</b>	<b>\$51,645</b>	<b>\$0</b>	<b>\$6,062,647</b>	<b>\$12,128,516</b>
Federal Special	6,011,002	54,867	0	6,065,869	51,645	0	6,062,647	12,128,516
<b>Total Funds</b>	<b>\$6,011,002</b>	<b>\$54,867</b>	<b>\$0</b>	<b>\$6,065,869</b>	<b>\$51,645</b>	<b>\$0</b>	<b>\$6,062,647</b>	<b>\$12,128,516</b>

**Sub-Program Description**

The Public Health System and Preparedness Bureau provides leadership in emergency preparedness in working with county and tribal health departments and hospitals around Montana. It is also a part of the state emergency preparedness system and works with the Department of Military Affairs to implement the requirements of the Public Health Security and Bioterrorism Preparedness and Response Act of 2002. The act establishes opportunities for states and local governments to conduct evaluations of public health emergency preparedness and enhances public health infrastructure and the capacity to prepare for and respond to public health emergencies.

**Sub-Program Narrative**

The 2015 biennium budget request increases slightly from the base budget due to statewide present law adjustments. The bureau is fully federally funded. About 48% of the budget is for grants to local governments and hospitals.

<b>LFD ISSUE</b>	Change in Allocation of Expenditures
	<p>The 2013 biennium appropriation allocated \$3.8 million annually (62% of available funds) to grants for local governments and hospitals. In FY 2012, PHSD reduced grants by \$0.9 million annually and shifted funds to contracted services. Legislative staff has requested the rationale supporting the shift as well as information about the types of contracts funded.</p> <p>The information was received too late to be evaluated and included in the budget analysis. Legislators may wish to review the information requested prior to taking action on the request.</p>

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	0	0	0	0.00%	6,011,002	6,011,002	12,022,004	99.12%
Statewide PL Adjustments	0	0	0	0.00%	54,867	51,645	106,512	0.88%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$6,065,869</b>	<b>\$6,062,647</b>	<b>\$12,128,516</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					86,323					87,965
Vacancy Savings					(50,744)					(50,810)
Inflation/Deflation					(603)					(401)
Fixed Costs					19,891					14,891
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$0</b>	<b>\$54,867</b>	<b>\$54,867</b>		<b>\$0</b>	<b>\$0</b>	<b>\$51,645</b>	<b>\$51,645</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$54,867</b>	<b>\$54,867</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$51,645</b>	<b>\$51,645</b>

Total Public Health Funding by Source of Authority  
2015 Biennium Budget

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$8,034,060	\$0	\$0	\$8,034,060	6.1%
State Special Total	\$33,215,448	\$0	\$0	\$33,215,448	25.4%
02199 Dhes Food & Consumer	\$13,928	\$0	\$0	\$13,928	0.0%
02366 Public Health Laboratory	\$6,327,691	\$0	\$0	\$6,327,691	4.8%
02379 02 Indirect Activity Prog 07	\$889,845	\$0	\$0	\$889,845	0.7%
02419 Vital Statistics	\$854,382	\$0	\$0	\$854,382	0.7%
02462 Food/lodging License	\$1,902,552	\$0	\$0	\$1,902,552	1.5%
02512 Brfs Survey Fees	\$107,686	\$0	\$0	\$107,686	0.1%
02765 Fees On Insurance Policies - Sb 275	\$2,564,835	\$0	\$0	\$2,564,835	2.0%
02772 Tobacco Hlth & Medicd Initiative	\$51,314	\$0	\$0	\$51,314	0.0%
02773 Childrens Special Health Services	\$925,992	\$0	\$0	\$925,992	0.7%
02790 6901-statewide Tobacco Sttlmnt	\$17,638,325	\$0	\$0	\$17,638,325	13.5%
02987 Tobacco Interest	\$1,938,898	\$0	\$0	\$1,938,898	1.5%
Federal Special Total	\$89,750,292	\$0	\$0	\$89,750,292	68.5%
03004 Ems Data Injury	\$219,128	\$0	\$0	\$219,128	0.2%
03020 Ph Workforce Development	\$1,894	\$0	\$0	\$1,894	0.0%
03026 Family Planning Title X	\$4,612,010	\$0	\$0	\$4,612,010	3.5%
03027 Wic (women,infants & Children)	\$20,816,042	\$0	\$0	\$20,816,042	15.9%
03030 Health Prevention & Services	\$208,040	\$0	\$0	\$208,040	0.2%
03031 Maternal & Child Health	\$4,981,114	\$0	\$0	\$4,981,114	3.8%
03057 Newborn Hearing Screening	\$525,272	\$0	\$0	\$525,272	0.4%
03105 Mt Diabetes	\$997,882	\$0	\$0	\$997,882	0.8%
03146 10.577 Wic Bf Peer Counseling	\$416,558	\$0	\$0	\$416,558	0.3%
03150 Wic Cdc Surveillance	\$181,826	\$0	\$0	\$181,826	0.1%
03159 Tuberculosis Grant	\$329,586	\$0	\$0	\$329,586	0.3%
03203 Strengthen Phi Component I	\$490,976	\$0	\$0	\$490,976	0.4%
03246 Wic Admin	\$10,042,698	\$0	\$0	\$10,042,698	7.7%
03253 Homeland Security Program	\$10,000	\$0	\$0	\$10,000	0.0%
03273 Primary Care Services	\$223,258	\$0	\$0	\$223,258	0.2%
03274 Ryan White Act, Title Ii	\$1,561,078	\$0	\$0	\$1,561,078	1.2%
03275 Adult Viral Hepatitis Prevent	\$44,458	\$0	\$0	\$44,458	0.0%
03294 Primary Care Services Arra	\$32,306	\$0	\$0	\$32,306	0.0%
03310 Aca Mdcd Incnt For Prev Of Cd	\$223,582	\$0	\$0	\$223,582	0.2%
03328 Afford Care Act Miechvp Frmla	\$2,000,000	\$0	\$0	\$2,000,000	1.5%
03334 Aca Community Transformation	\$1,538,390	\$0	\$0	\$1,538,390	1.2%
03336 Food Inspection Program	\$170,058	\$0	\$0	\$170,058	0.1%
03362 Data Integration	\$115,802	\$0	\$0	\$115,802	0.1%
03366 Emisc Sproc	\$400,000	\$0	\$0	\$400,000	0.3%
03370 Epi & Lab Surveillance E. Coli	\$741,000	\$0	\$0	\$741,000	0.6%
03371 Mt Arthritis	\$856,918	\$0	\$0	\$856,918	0.7%

03380 Cyschn	\$589,824	\$0	\$0	\$589,824	0.5%
03392 Colorectal Cancer Screening	\$1,604,740	\$0	\$0	\$1,604,740	1.2%
03396 Ryan White Hiv Treatment	\$11,108	\$0	\$0	\$11,108	0.0%
03399 Healthy Communities	\$75,098	\$0	\$0	\$75,098	0.1%
03402 Addressing Asthma	\$550,000	\$0	\$0	\$550,000	0.4%
03420 Early Hearing Deficit Intrv	\$274,422	\$0	\$0	\$274,422	0.2%
03421 Obesity Prevention	\$1,530,000	\$0	\$0	\$1,530,000	1.2%
03451 69010-cdp For Brfs	\$936,878	\$0	\$0	\$936,878	0.7%
03510 Heart Disease & Stroke Program	\$2,080,000	\$0	\$0	\$2,080,000	1.6%
03541 State Loan Repayment Program	\$144,140	\$0	\$0	\$144,140	0.1%
03596 03 Indirect Activity Prog 07	\$1,958,326	\$0	\$0	\$1,958,326	1.5%
03689 6901-bioter Hosp Preparedness	\$3,222,042	\$0	\$0	\$3,222,042	2.5%
03690 6901-rape Prev & Educ 93.126	\$237,565	\$0	\$0	\$237,565	0.2%
03709 6901-rural Access Emerg Device	\$1,868	\$0	\$0	\$1,868	0.0%
03711 6901-breast & Cervical Cancer	\$4,384,548	\$0	\$0	\$4,384,548	3.3%
03712 6901-cancer Registries 93.283	\$566,379	\$0	\$0	\$566,379	0.4%
03713 6901-wic Farmer Market 10.572	\$104,332	\$0	\$0	\$104,332	0.1%
03788 Montana Disability And Health Progr	\$840,000	\$0	\$0	\$840,000	0.6%
03822 Tobacco Control	\$1,715,945	\$0	\$0	\$1,715,945	1.3%
03929 Seroprevalence/surveillance	\$136,684	\$0	\$0	\$136,684	0.1%
03933 Affordable Care Act Elc	\$1,067,062	\$0	\$0	\$1,067,062	0.8%
03936 Vaccination Program	\$2,367,520	\$0	\$0	\$2,367,520	1.8%
03937 Std Program	\$645,676	\$0	\$0	\$645,676	0.5%
03938 Aids Fed. Cat. #13.118	\$2,585,762	\$0	\$0	\$2,585,762	2.0%
03959 Bioterrorism	\$9,178,840	\$0	\$0	\$9,178,840	7.0%
03969 Bunker Hill	\$635,280	\$0	\$0	\$635,280	0.5%
03979 Comprehensive Cancer Control	\$566,377	\$0	\$0	\$566,377	0.4%
Total All Funds	\$130,999,800	\$0	\$0	\$130,999,800	100.0%
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>		

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME:**

		<b>Minimum Requirement</b>	
		<b>General Fund</b>	<b>State Special Revenue Fund</b>
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 179,932	\$ 734,464
		<b>General Fund Annual Reductions</b>	<b>State Special Revenue Annual Reductions</b>
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
1	Grants to counties for the Public Health Home Visiting Program	\$ -	\$ 20,313
2	License fees to counties for public health inspections of food establishments, hotels and other public accommodations.	\$ -	\$ 47,860
3	Vacancy savings in the Office of Vital Records.	\$ -	\$ 17,237
4	Testing performed by the Public Health Laboratory.	\$ -	\$ 137,381
5	Vacancy savings in the Office of Epidemiology & Scientific Support.	\$ -	\$ 2,578
6	Genetics testing and counseling services performed by the Genetics Program.	\$ -	\$ 58,295
7	Specialty medical clinics coordinated by the Children With Special Health Care Needs Program.	\$ -	\$ 23,294
8	Operational costs in the Hospital Discharge Data Program.	\$ -	\$ 6,556
9	Operational costs in the Injury Prevention Program.	\$ -	\$ 5,986
10	Screening, testing and follow up provided by the Newborn Screening Program.	\$ -	\$ 14,174
11	HPV vaccine proved by the Immunization Program.	\$ -	\$ 20,125
12	Local grants and training and educational materials for Chronic Disease Prevention Programs.	\$ -	\$ 130,420
13	Local grants and educational and training materials for the Tobacco Use Prevention Program.	\$ -	\$ 200,729
14	Local grants and educational and training materials provided to Tribal Tobacco Prevention Programs.		\$ 34,693
	<b>TOTAL Reductions</b>	\$ -	\$ 719,641
	<b>DIFFERENCE</b>	\$ 179,932	\$ 14,823

Form A

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	5.00	5.00	5.00	5.00	5.00	5.00	0.00	0.00%
Personal Services	385,797	461,030	468,192	467,679	846,827	935,871	89,044	10.52%
Operating Expenses	7,975,646	7,429,555	8,137,054	10,792,776	15,405,201	18,929,830	3,524,629	22.88%
Grants	0	0	10,578,125	7,039,062	0	17,617,187	17,617,187	n/a
<b>Total Costs</b>	<b>\$8,361,443</b>	<b>\$7,890,585</b>	<b>\$19,183,371</b>	<b>\$18,299,517</b>	<b>\$16,252,028</b>	<b>\$37,482,888</b>	<b>\$21,230,860</b>	<b>130.64%</b>
General Fund	2,090,308	2,195,759	2,137,657	2,824,069	4,286,067	4,961,726	675,659	15.76%
State Special	87,925	39,755	91,621	92,965	127,680	184,586	56,906	44.57%
Federal Special	6,183,210	5,655,071	16,954,093	15,382,483	11,838,281	32,336,576	20,498,295	173.15%
<b>Total Funds</b>	<b>\$8,361,443</b>	<b>\$7,890,585</b>	<b>\$19,183,371</b>	<b>\$18,299,517</b>	<b>\$16,252,028</b>	<b>\$37,482,888</b>	<b>\$21,230,860</b>	<b>130.64%</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 major changes in the Governor’s proposal compared to the base budget expenditures include:                             <ul style="list-style-type: none"> <li>• Increase of \$17.6 million in federal funds to continue federal IT initiatives related to health records. These funds were originally budgeted in the Health Resources Division</li> <li>• Increase of \$2.1 million in federal and \$0.7 million in state funds to support the implementation of new IT upgrades</li> </ul> </li> <li>◆ Statewide present law adjustments \$83,000 in each year of the biennium are driven primarily by vacancy savings related to a computer systems analyst position that was vacant for most of FY 2012</li> </ul>	

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Medicaid And Health Services Management							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$4,961,726	\$0	\$0	\$4,961,726	13.2%		
State Special Total	\$184,586	\$0	\$0	\$184,586	0.5%		
02220 02 Indirect Activity Prog 12	\$184,586	\$0	\$0	\$184,586	0.5%		
Federal Special Total	\$32,336,576	\$0	\$0	\$32,336,576	86.3%		
03305 03 Indirect Activity Prog 12	\$14,719,389	\$0	\$0	\$14,719,389	39.3%		
03580 6901-93.778 - Med Adm 50%	\$17,617,187	\$0	\$0	\$17,617,187	47.0%		
Total All Funds	\$37,482,888	\$0	\$0	\$37,482,888	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

General fund supports 13% of the proposed funding for the biennium. State special funds are derived from indirect charges on all programs within the Medicaid and Health Services branch. Federal revenues are from indirect charges and Medicaid matching funds, which in total support 84% of the proposed budget.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	2,090,308	2,090,308	4,180,616	84.26%	8,361,443	8,361,443	16,722,886	44.61%
Statewide PL Adjustments	31,352	31,117	62,469	1.26%	83,807	83,119	166,926	0.45%
Other PL Adjustments	15,997	702,644	718,641	14.48%	159,996	2,815,893	2,975,889	7.94%
New Proposals	0	0	0	0.00%	10,578,125	7,039,062	17,617,187	47.00%
<b>Total Budget</b>	<b>\$2,137,657</b>	<b>\$2,824,069</b>	<b>\$4,961,726</b>		<b>\$19,183,371</b>	<b>\$18,299,517</b>	<b>\$37,482,888</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					101,904					101,368
Vacancy Savings					(19,509)					(19,486)
Inflation/Deflation					(4)					(3)
Fixed Costs					1,416					1,240
<b>Total Statewide Present Law Adjustments</b>		<b>\$31,352</b>	<b>\$3,696</b>	<b>\$48,759</b>	<b>\$83,807</b>		<b>\$31,117</b>	<b>\$3,671</b>	<b>\$48,331</b>	<b>\$83,119</b>
DP 12101 - MMIS Maint. Contract	0.00	15,997	0	143,999	159,996	0.00	702,644	1,369	2,111,880	2,815,893
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$15,997</b>	<b>\$0</b>	<b>\$143,999</b>	<b>\$159,996</b>	<b>0.00</b>	<b>\$702,644</b>	<b>\$1,369</b>	<b>\$2,111,880</b>	<b>\$2,815,893</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$47,349</b>	<b>\$3,696</b>	<b>\$192,758</b>	<b>\$243,803</b>	<b>0.00</b>	<b>\$733,761</b>	<b>\$5,040</b>	<b>\$2,160,211</b>	<b>\$2,899,012</b>

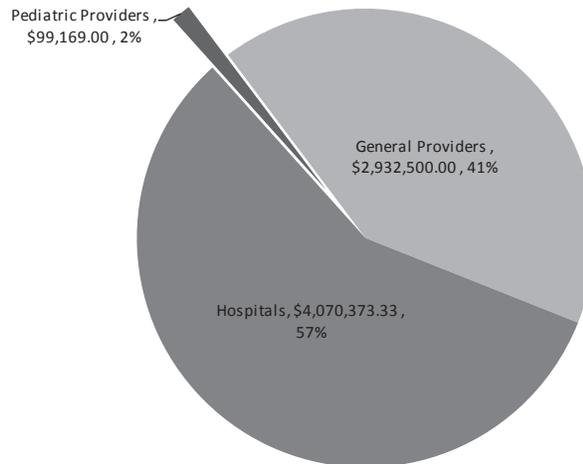
DP 12101 - MMIS Maint. Contract - This decision package requests an increase in state and federal authority to support the implementation of the new Management Information System (MMIS) components. The department's new MMIS system is scheduled for implementation in FY 2015.

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 12102 - Health Information Technology	12	0.00	0	0	10,578,125	10,578,125	0.00	0	0	7,039,062	7,039,062
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,578,125</b>	<b>\$10,578,125</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,039,062</b>	<b>\$7,039,062</b>

DP 12102 - Health Information Technology - This present law adjustment is requested to maintain services for the Federal Electronic Health Records initiatives. Prior funding was one-time-only.

<b>LFD COMMENT</b>	<p>The Federal Electronic Health Records is an initiative to develop a system to provide clinical information at the point of care. The system is also designed to aggregate data for disease management capability. Those eligible who register for the program receive funding assistance over a six-year period. Eligible professionals typically receive \$21,250 in the first year and \$8,500 for the next five years. Eligible hospitals receive payment based on Medicaid volume. Hospitals received 50% of the total funding in year one and then 30%, 10% and 10% in the following years. In FY 2012, 145 eligible professionals registered for the program while 13 eligible hospitals registered. The figure below shows the relative funding.</p>
--------------------	--

**LFD  
COMMENT CONT.****Health Information Technology Grant Distribution FY 2012**

In the 2013 biennium \$18.85 million and \$16.5 million was appropriated for FY2012 and FY2013, respectively. In FY2012 \$7 million (37%) of the authority was awarded, while as of November 2012 awards total \$2.4 million (15 percent) of the FY2013 authorization.

Since the previous legislature authorization was designated as one-time-only funding the agency must request that the authorization be renewed to continue funding the program in the 2015 biennium.

**LFD  
COMMENT**

Because the amount of funds needed by the department cannot routinely be predicted, the legislature may wish to authorize this appropriation as a one-time-only so the next legislature can examine the requested amount in full. The legislature may also wish to restrict the appropriation to this purpose so that unused authority is not used elsewhere if estimates are significantly higher than actual.

Total Medicaid And Health Services Branch Funding by Source of Authority  
2015 Biennium Budget -

Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$705,755,001	\$0	\$0	\$705,755,001	25.6%		
State Special Total	\$256,636,394	\$0	\$9,456,660	\$266,093,054	9.7%		
02023 Private Ins. Medicaid Reim.-ve	\$9,912,842	\$0	\$0	\$9,912,842	0.4%		
02032 Vets-i&i Lease	\$37,948	\$0	\$0	\$37,948	0.0%		
02034 Earmarked Alcohol Funds	\$12,569,375	\$0	\$3,821,174	\$16,390,549	0.6%		
02035 Mdc Vocational	(\$14,412)	\$0	\$0	(\$14,412)	0.0%		
02053 Medicaid Nursing Home Match	\$19,081,258	\$0	\$0	\$19,081,258	0.7%		
02142 Medicaid Third Party Revenue	\$1,604,792	\$0	\$0	\$1,604,792	0.1%		
02164 Mt Univ System Grad Med Ed	\$636,188	\$0	\$0	\$636,188	0.0%		
02220 02 Indirect Activity Prog 12	\$184,586	\$0	\$0	\$184,586	0.0%		
02260 Cigarette Tax Revenue	\$5,120,838	\$0	\$0	\$5,120,838	0.2%		
02310 Mdc Bond Repayment Revenue	\$0	\$0	\$1,968,416	\$1,968,416	0.1%		
02311 6901-02 Indrct Activty Prog 11	\$63,734	\$0	\$0	\$63,734	0.0%		
02384 02 Indirect Activity Prog 33	\$276,387	\$0	\$0	\$276,387	0.0%		
02394 Montana State Hospital Rev Acc	\$0	\$0	\$3,667,070	\$3,667,070	0.1%		
02497 6901-lien & Estate - Slctd	\$2,218,348	\$0	\$0	\$2,218,348	0.1%		
02597 Montana Healthy Kids Initiative	\$42,730,712	\$0	\$0	\$42,730,712	1.6%		
02691 6901-msh/doc Maint Agreement	\$277,486	\$0	\$0	\$277,486	0.0%		
02772 Tobacco Hlth & Mediced Initiative	\$78,209,709	\$0	\$0	\$78,209,709	2.8%		
02783 6901-traumatic Brain Injury Dn	\$7,994	\$0	\$0	\$7,994	0.0%		
02789 6901-chip/mcha Tobacco Sett Fd	\$7,606,161	\$0	\$0	\$7,606,161	0.3%		
02959 Emvh Clinic Rent	\$67,318	\$0	\$0	\$67,318	0.0%		
02987 Tobacco Interest	\$12,423,424	\$0	\$0	\$12,423,424	0.5%		
02989 69010-hospital Utilization Fee	\$45,007,976	\$0	\$0	\$45,007,976	1.6%		
02990 69010-nursing Home Utilization	\$18,613,730	\$0	\$0	\$18,613,730	0.7%		
Federal Special Total	\$1,781,846,737	\$0	\$0	\$1,781,846,737	64.7%		
03005 Emvh V-a Nursing Reimbursement	\$4,466,612	\$0	\$0	\$4,466,612	0.2%		
03073 Aging - Farmers Market	\$199,050	\$0	\$0	\$199,050	0.0%		
03112 Vets-v.a. Reimb	\$7,044,517	\$0	\$0	\$7,044,517	0.3%		
03171 Data Infrastructure Development	\$188,410	\$0	\$0	\$188,410	0.0%		
03193 Mippa Aaa	\$91,630	\$0	\$0	\$91,630	0.0%		
03202 Mippa Cms	\$127,244	\$0	\$0	\$127,244	0.0%		
03237 Alternative To Psych Treatment Fac	\$1,853,160	\$0	\$0	\$1,853,160	0.1%		
03279 Sltc Lifespan Respite	\$367,500	\$0	\$0	\$367,500	0.0%		
03305 03 Indirect Activity Prog 12	\$14,719,389	\$0	\$0	\$14,719,389	0.5%		
03387 Indv Disab Education Act Arra	\$529,529	\$0	\$0	\$529,529	0.0%		
03426 Chip Program Fed	\$147,785,599	\$0	\$0	\$147,785,599	5.4%		
03456 69010-aoa Aging One-stop Shop	\$144,972	\$0	\$0	\$144,972	0.0%		
03501 64.014 - Vets St. Domic Care 1	\$295,793	\$0	\$0	\$295,793	0.0%		
03505 93.150 - Mntal Hlth - Homeless	\$606,034	\$0	\$0	\$606,034	0.0%		
03507 93.958 - Mntal Hlth - Blk Grt	\$2,276,723	\$0	\$0	\$2,276,723	0.1%		
03508 93.959 - Adad - Blk Grt 100%	\$13,553,167	\$0	\$0	\$13,553,167	0.5%		
03511 Sw Mt Vet Home Cnstr	\$1,113,615	\$0	\$0	\$1,113,615	0.0%		
03514 10.570 - Elderly Feeding 100%	\$2,337,619	\$0	\$0	\$2,337,619	0.1%		
03515 93.041 - Elder Abuse Prev 100%	\$29,899	\$0	\$0	\$29,899	0.0%		
03516 93.042 - Ombudsman Activity 10	\$195,079	\$0	\$0	\$195,079	0.0%		
03517 93.043 - Preventive Hlth 100%	\$229,597	\$0	\$0	\$229,597	0.0%		
03518 93.044 - Aging Sup S & Train 1	\$3,782,872	\$0	\$0	\$3,782,872	0.1%		
03519 93.045 - Aging Meals 100%	\$6,927,946	\$0	\$0	\$6,927,946	0.3%		
03537 93.779 - Hlth Info Counseling	\$767,942	\$0	\$0	\$767,942	0.0%		
03556 84.181 - Part H - Early Interv	\$2,597,730	\$0	\$0	\$2,597,730	0.1%		
03563 Community Living	\$647,952	\$0	\$0	\$647,952	0.0%		
03579 93.667 - Ssbj - Benefits	\$8,085,218	\$0	\$0	\$8,085,218	0.3%		
03580 6901-93.778 - Med Adm 50%	\$41,610,506	\$0	\$0	\$41,610,506	1.5%		

03582 93.778 - Med Ben 100%	\$118,182,732	\$0	\$0	\$118,182,732	4.3%
03583 93.778 - Med Ben Fmap	\$1,391,711,936	\$0	\$0	\$1,391,711,936	50.5%
03599 03 Indirect Activity Prog 10	\$6,651,521	\$0	\$0	\$6,651,521	0.2%
03601 03 Indirect Activity Prog 33	\$510,544	\$0	\$0	\$510,544	0.0%
03611 6901-03 Indrct Activty Prog 11	\$573,656	\$0	\$0	\$573,656	0.0%
03666 Aging - Caregiver Iii-e	\$1,606,076	\$0	\$0	\$1,606,076	0.1%
03819 Mippa Adrc	\$34,968	\$0	\$0	\$34,968	0.0%
Total All Funds	\$2,744,238,132	\$0	\$9,456,660	\$2,753,694,792	100.0%
<b>Percent - Total All Sources</b>	<b>99.7%</b>	<b>0.0%</b>	<b>0.3%</b>		

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME:**

		<b>Minimum Requirement</b>	
		<b>General Fund</b>	<b>State Special Revenue Fund</b>
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 3,607,898	\$ 41,687
		<b>General Fund Annual Reductions</b>	<b>State Special Revenue Annual Reductions</b>
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
1	Reduce Targeted Case Management for Children's Mental Health.	\$ 974,187	
2			
3			
4			
5			
6			
7			
8			
9			
10			
	<b>TOTAL Reductions</b>	\$ 974,187	\$ -
	<b>DIFFERENCE</b>	\$ 2,633,711	\$ 41,687

Form A

# 5% Base Budget Reduction Form

## AGENCY CODE & NAME:

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce Targeted Case Management for Children's Mental Health.

**#2 THE SAVINGS THAT ARE EXPECTED:**

General fund savings \$974,187 each year of the biennium with a corresponding annual loss of \$1.892 million federal Medicaid match.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR**

The consequences of this significant reduction to TCM would be that fewer children and their families would receive face-to-face guidance. Referrals, choosing what services to receive, and paperwork would primarily become the responsibility of the family.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Some children would qualify for Wraparound services which takes the place of case management.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No - Provided with HB 2 funding and Administrative Rule

**Form B**

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

		Minimum Requirement	
		General Fund	State Special Revenue Fund
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 5,472,085	\$ 1,434,218
		General Fund Annual Reductions	State Special Revenue Annual Reductions
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
1	Other Legal Settlements	\$ 4,536,912	
2	Pharmacy Savings w/State Maximum Allowable Costs Program (SMAC) for select drugs.	\$ 1,496,807	
3	Reduction for Dual Eligible Hospital Crossover Rates.	\$ 231,087	
4	Eliminate Hospital Provider Based Payments	\$ 937,087	
5	Elimination of Optional Medicaid Services	\$ 2,327,229	
6	Reduce Physician conversion factor from \$31.86 to \$29.85	\$ 1,145,381	
7	Cap Big Sky RX benefits to 3,800 clients		\$ 2,687,867
8			
9			
10			
	<b>TOTAL Reductions</b>	\$ 10,674,503	\$ 2,687,867
	<b>DIFFERENCE</b>	\$ (5,202,418)	\$ (1,253,649)

Form A

# 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Other Legal Settlements

**#2 THE SAVINGS THAT ARE EXPECTED:**

General Fund savings of \$4,536,912.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

This reduction is due to one-time settlement costs that the department had to paid due to court decisions.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED**

No impact on constituents.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**  
Pharmacy Savings w/State Maximum Allowable Costs Program (SMAC) for select drugs.
- #2 THE SAVINGS THAT ARE EXPECTED:**  
General Fund savings of \$1,496,807 are expected from enhanced SMAC contracting.
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**  
This change decreases the price Medicaid pays for prescription drugs. It may result in the remote chance of inadvertent pricing reduction below actual acquisition rates for some pharmacies.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**  
The consequences above are expected to be mitigated by continuous review and monitoring and pricing adjustments as necessary.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**  
No

**Form B**

# 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduction for Dual Eligible Hospital Crossover Rates.

**#2 THE SAVINGS THAT ARE EXPECTED:**

General Fund savings expected are \$231,344. Federal matching funds of approximately \$463,000 would also be lost.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Hospital providers would see reduced rates for inpatient services and access could erode. Inpatient services currently pay the full deductible and coinsurance for Medicare dual eligibles. This proposal would limit total payments from Medicare and Medicaid to the Medicaid rate.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED**

This change must be monitored to assure that impact to constituents is managed.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No

**Form B**

# 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Elimination of Hospital Provider Based Payments

**#2**

**THE SAVINGS THAT ARE EXPECTED:**

General fund savings of \$937,087 per year. Corresponding federal matching funds of approximately \$1.874 million per year would be lost

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Based on the Medicare program, Medicaid makes separate payment to hospitals for the cost of facility based services provided by physicians in clinics owned and operated by the hospital. This change would eliminate the separate facility based payment to the hospital and reimburse practitioners employed in a hospital clinic at the same rate as a practitioner owned office. Elimination of this program would decrease Medicaid payments to hospitals and may result in a cost shift to other payment sources. Elimination might also decrease physician participation in Medicaid, there by reducing access for clients.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED**

This change must be monitored to assure that impact to constituents is mitigated to the extent possible.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**  
Elimination of Optional Medicaid Services
- #2 THE SAVINGS THAT ARE EXPECTED:**  
General Fund savings of \$2,327,229 per year. Federal funds would decrease approximately \$4.564 million per year, expected from removing optional services.
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**  
Adult Medicaid beneficiaries would no longer receive services such as physical therapy, eyeglasses, dental, etc. This change could result in physical pain and suffering for clients. This change will also result in a cost shift to other service categories.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**  
Clients would likely seek care in hospitals and community health centers. These facilities may have limited capacity to serve them. Staff would have to analyze information to see if utilization of other services would increase due to this change and try to mitigate the consequences.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**  
Yes, both State and Federal changes would be required. Services in chapter 42 CFR and State statute changes in chapter 53-6 MCA.

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce physician conversion factor from \$31.86 to \$ 29.85

**#2 THE SAVINGS THAT ARE EXPECTED:**

General fund savings would be \$1,145,381 per year. Federal funds would decrease by approximately \$2.29 million per year.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

The conversion factor is a component of the reimbursement formula used to reimburse physicians. This would result in decreased reimbursement to physicians increasing the risk that physicians may choose not to participate with Medicaid, which may reduce access for individuals covered by Medicaid. This change would not reduce scheduled rate increases to evaluation and management codes or vaccine administration fees required by the Affordable Care Act and funded through 2015 at 100% FFP.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED**

Impact and access to care will be monitored.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: Yes**

Services are required under 42 CFR 447.200; payment rates must be consistent with economy and efficiency. Statute change required to 53-6-1254 through 127 MCA.

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 11**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce enrollment in Big Sky Rx: This proposal is reduce the number of covered lives in Big Sky Rx benefit by lowering the enrollment cap from the current 11,000 to 3,800 members. Big Sky Rx is a state funded program that supplements Medicare Part D premiums up to \$36.02 per month per client. The benefit is for clients up to 200% of the federal poverty level who are enrolled in a Part D plan. Currently 10,616 Montanans benefit from the program.

**#2 THE SAVINGS THAT ARE EXPECTED:**

Savings are estimated to be in state special revenue. This reduces costs by \$2,432,867 and 6,816 elderly Montanans will no longer be funded. The other changes would include a contract reduction of \$215,000 and \$40,000 in personal services.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

This will increase out of pocket expenses for almost 6,816 clients of this program by about \$36.02 per month. Additionally, the client's loss of a Part D pharmacy benefit will cause full out of pocket expenditures for pharmaceuticals.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED**

The impact of this elimination would be mitigated by serving people at the lowest poverty level.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

This services is mandated by 53-6-1004. 53-6-1004 MCA created the Big Sky Rx program and would need to be amended. There is no federal requirement for this service

**Form B**

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 12**

		Minimum Requirement	
		General Fund	State Special Revenue Fund
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 104,515	\$ 4,396
Priority	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>	<b>General Fund Annual Reductions</b>	<b>State Special Revenue Annual Reductions</b>
1	Mandate all providers to move to EFT (Electronic Funds Transfer) and ESOR (Electronic Statement of Remittance)	\$ 24,680	\$ 320
2	Amendment 7 to the MMIS Contract would be terminated. This amendment provides an additional programmer to support the maintenance and enhancements required for the current MMIS system.	\$ 34,367	\$ 446
3	Amendment 9 to the MMIS Contract would be terminated. This amendment provides additional staffing and infrastructure to ensure that the backlog of claims inventory is maintained below 20,000.	\$ 45,468	\$ 3,630
4			
5			
6			
7			
8			
9			
10			
	<b>TOTAL Reductions</b>	<b>\$ 104,515</b>	<b>\$ 4,396</b>
	<b>DIFFERENCE</b>	<b>\$ -</b>	<b>\$ -</b>

Form A

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 12**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Mandate all providers to move to EFT (Electronic Funds Transfer) and ESOR (Electronic Statement of Remittance)

**#2 THE SAVINGS THAT ARE EXPECTED:**

\$24,680 in General funds and \$320 in State Special Revenue with corresponding loss of \$75,000/year in Federal funds.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Providers may have to print their own statements if they need a paper copy; also acquire a checking account or internet access to receive the information on the EFT and ESOR.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

The impact cannot be mitigated.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE &/OR FEDERAL STATUTE - YES OR NO: No**

*Form B*

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 12**

**#1 REDUCTION:**

Amendment 7 to the MMIS Contract would be terminated. This amendment provides an additional programmer to support the maintenance and enhancements required for the current MMIS system.

**#2 THE SAVINGS THAT ARE EXPECTED:**

\$34,367 in General funds and \$446 in State Special Revenue with corresponding loss of \$104,439/year in Federal funds.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

The Contractor will be unable to make changes to the system for state and/or federal mandates or resolve system issues in a timely fashion that could affect productivity and compliance.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

The impact cannot be mitigated.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE &/OR FEDERAL STATUTE - YES OR NO: No**

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 69010 DPHHS, HEALTH RESOURCES DIVISION PRGM 12**

**#1 REDUCTION:**

Amendment 9 to the MMIS Contract would be terminated. This amendment provides additional staffing and infrastructure to ensure that the backlog of claims inventory is maintained below 20,000.

**#2 THE SAVINGS THAT ARE EXPECTED:**

\$45,468 in General fund and \$3,630 in State Special Revenue with corresponding loss of \$147,294/year of Federal funds.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

This will increase the number of claims waiting to be paid, which could reach as high as 60,000, resulting in payments not being made to providers in a timely fashion as required by Federal Regulations. It will also affect the Department's ability to conduct timely and accurate Medicaid projections for budgeting purposes.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

The impact cannot be mitigated.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE &/OR FEDERAL STATUTE - YES OR NO: No**

*Form B*

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME: 6911 DPHHS, SENIOR AND LONG TERM CARE DIVISION  
 PRGM 22**

		Minimum Requirement	
		General Fund	State Special Revenue Fund
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 3,017,189	\$ 1,199,731
		General Fund Annual Reductions	State Special Revenue Annual Reductions
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>		
1	Operating Effeciencies MVH, Columbia Falls		\$ 250,000
2	Propose a reduction of \$12,500 of State Special Revenue from the equipment budget at Eastern Montana Veterans Home.		\$ 12,500
3	Propose a 5% (approximate) reduction in nursing facility funding through a combination of a rate reduction and an increase in the nursing home transition efforts program with a money follows the person approach.	\$ 2,396,746	
4		\$ 616,858	
5			
6			
7			
8			
9			
	<b>TOTAL Reductions</b>	\$ 3,013,604	\$ 262,500
	<b>DIFFERENCE</b>	\$ 3,585	\$ 937,231

Form A

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 6911 DPHHS, SENIOR AND LONG TERM CARE DIVISION  
PRGM 22**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce maintenance and equipment costs and Montana Veterans Home (MVH) in Columbia Falls.

**#2 THE SAVINGS THAT ARE EXPECTED:**

State Special Revenue of \$250,000

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR**

Montana Veterans Home in Columbia Falls will eliminate to defer maintenance and equipment costs. Deferred maintenance may result in higher costs in the future.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

MVH will prioritize maintenance and equipment repairs to have the least possible impact to patient health and safety.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 6911 DPHHS, SENIOR AND LONG TERM CARE DIVISION  
PRGM 22**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce equipment budget at Eastern Montana Veterans Home (EMVH) in Glendive.

**#2 THE SAVINGS THAT ARE EXPECTED:**

Savings of \$ 12,500 SSR- Cigarette Taxes

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR**

This will be a reduction to major non-patient related equipment costs by \$12,500 and will not impact resident care . The State contracts the operation of the facility so the resident related costs are the responsibility of the contractor. The state provides some additional funding for major repairs and maintenance activities at the facility and some major equipment purchases. This will decrease funding for major equipment purchases.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

EMVH will target non-patient related equipment rather that equipment used for patients.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO: NO**

**Form B**

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 6911 DPHHS, SENIOR AND LONG TERM CARE DIVISION PRGM  
22**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

5% (approximate) reduction in private nursing facility funding.

**#2 THE SAVINGS THAT ARE EXPECTED:**

\$2,396,746 General funds/yr. with a corresponding decrease of approximately \$4.794 million in Federal funds/yr.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

The majority of this reduction is achieved by decreasing nursing facility rates. Medicaid is the largest purchaser of nursing facility services in the state. If individual facilities rates are decreased, budgets will be cut, services will be reduced and some facilities may no longer take Medicaid residents. If facilities stop admitting Medicaid residents this could create a hardship on those seeking admission if they have to leave their communities to access this service. Second part of this reduction is moving 50 people into community based services. Historically we have been able to transition 40 individuals in a year, so it may be difficult to find 50 individuals that could be served and desire community placement.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Department field staff will work with clients and families to access resources.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

Federal limitation: In general, 42 CFR 440.210 requires that Inpatient and outpatient hospital services, rural health clinic services, laboratory and x-ray services, nursing facility services for individual age 21 and older (other than Institutions for Mental Disease), EPSDT services, family planning services and supplies, physician services, nurse midwife and nurse practitioner services (to the extent of their scope of practice) and home health services be provided to its categorically needy clients. If the state includes medically needy individuals, it must provide prenatal and delivery services ambulatory services and home health services. These services are mandatory and elimination is not an option.

**Form B**

## 5% Base Budget Reduction Form

AGENCY CODE & NAME: 6911 DPHHS, SENIOR AND LONG TERM CARE DIVISION PRGM  
22

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

This proposal reduces: A) assisted living facility rates; B) self-direct personal assistance rates; C) rates paid to waiver teams; and D) the number of assisted living facility slots available to HCBS waiver clients.

**#2 THE SAVINGS THAT ARE EXPECTED:**

General fund is reduced \$616,858/yr. with a corresponding reduction in Federal funds of \$1,177,378/yr.

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

**Reduce Assisted Living Rates:** This reduction may result in providers discharging current residents or refusing to admit new residents.

**3% Reduction to SDPAS Rate:** This reduction may result in fewer hours of personal assistance and /or decrease access to personal assistance services if the hourly rate is decreased.

**1.3% Team Reduction:** Waiver teams will have to reduce cost plans or reduce the number of people served. The result is that either consumers are receiving less service some people may not be served.

**Reduction/ Conversion of Slots:** This would reduce the number of Assisted Living slots available to consumers and eliminate one opportunity to serve someone with extensive needs in the waiver program

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Service reductions would be prioritized to impact the fewest number of clients.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE  
- YES OR NO: NO**

*Form B*

**5% Base Budget Reduction Form**  
[17-7-111-3\(f\)](#)

**AGENCY CODE & NAME:**

		Minimum Requirement		
		General Fund	State Special Revenue Fund	
<b>TARGETED REDUCTION TO EQUAL 5% OF CURRENT BASE BUDGET</b>		\$ 3,031,259	\$ 351,773	\$ 3,383,032
		General Fund Annual Reductions	State Special Revenue Annual Reductions	
<b>Priority</b>	<b>SERVICE(S) TO BE ELIMINATED OR REDUCED</b>			
1	HB 130 Grants	\$ 205,858	\$ 415,511	
2	MHSP	\$ 1,390,999		
3	METH RTEC Program		\$ 75,000	
4	Montana State Hospital Operating	\$ 461,213		
5	MMHNCC	\$ 220,000		
6	MCDC		\$ 150,000	
7	Division Admin Pers Svcs FTE	\$ 213,975		
8				
9				
	<b>TOTAL Reductions</b>	\$ 2,492,045	\$ 640,511	\$ 3,132,556
	<b>DIFFERENCE</b>	\$ 539,214	\$ (288,738)	\$ 250,476

Form A

## 5% Base Budget Reduction Form

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS  
PRGM 33**

**#1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

The Addictive and Mental Disorders Division proposes to eliminate funding for the crisis diversion programs enacted in HB 130 and funded in HB2 by the 2009 legislature. This adjustment eliminates funding for the current grant awards. The total General Fund savings for this adjustment is \$205,858 and the total State Special Revenue is \$415,511 each year of the Biennium.

**#2 THE SAVINGS THAT ARE EXPECTED:**

Savings of \$205,858/yr. in General funds and \$415,511/yr. in State Special Revenue

**#3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR**

The reduction impacts the number of counties that may be funded with matching grants for the development of community crisis and jail diversion programs. Number of clients who are jailed or seek emergency room services may increase.

**#4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Other mental health services will remain available but these will not fully meet the needs of either the clients or the counties.

**#5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

NO. Development of matching grants to counties is provided in statute, subject to available funding.

**Form B**

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION  
PRGM 33**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce Mental Health Service Plan (MHSP)

**#2**

**THE SAVINGS THAT ARE EXPECTED:**

General fund savings of \$1,390,999/yr.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Mental health services for people with serious mental illnesses will be reduced. MHSP serves people who do not qualify for Medicaid but who are under 150% Federal Poverty Level and cannot afford to purchase mental health services for themselves. This reduction may increase admissions to local hospitals as well as MT State Hospital.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Clients will be prioritized for treatment to mitigate the impacts on them.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No. The services to be eliminated are not an entitlement. Program is expected to operate within Legislative appropriation.

**Form B**

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION  
PRGM 33**

- #1 BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**  
Reduce training and technical assistance by 5% for METH and CD providers.
- #2 THE SAVINGS THAT ARE EXPECTED:**  
State Special Revenue savings of \$75,000/yr.
- #3 THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**  
This reduction would reduce training for the development of standardized clinical and documentation reports. This ultimately affects clients but it is not a direct affect.
- #4 HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**  
Prioritize to have the least possible effect on providers.
- #5 WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**  
No. The services to be eliminated are not mandated by state or federal statute.

**Form B**

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION  
PRGM 33**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce maintenance and equipment costs at Montana State Hospital(MSH).

**#2**

**THE SAVINGS THAT ARE EXPECTED:**

General Fund savings of \$461,213/yr.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Reduction in Repair and Maintenance can have a significant impact on the facility. Necessary repairs would need to be delayed or eliminated. Deferred maintenance may result in higher costs in the future.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

MSH will prioritize maintenance and equipment repairs to ensure the least possible impact to patient health and safety.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No. The services to be eliminated are not mandated by state or federal statute.

**Form B**

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION  
PRGM 33**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Reduce maintenance and equipment costs at Montana Mental Health Nursing Care Center (MMHNCC)

**#2**

**THE SAVINGS THAT ARE EXPECTED:**

General fund savings of \$220,000/yr.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

The reduction in Repairs and Maintenance may impact the ability to adequately maintain the building. The additional reduction in Supplies and Materials may impact our ability to replace damaged furniture, which could result in Licensure and Certification deficiencies.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

MMHNCC will prioritize maintenance and equipment repairs to ensure the least possible impact to patient health and safety.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**

No. The services to be eliminated are not mandated by state or federal statute.

**Form B**

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION  
PRGM 33**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**

Cut contracted services and reduce staffing levels at Montana Chemical Dependency Center (MCDC).

**#2**

**THE SAVINGS THAT ARE EXPECTED:**

State Special Revenue savings of \$150,000/yr.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**

Reduced contracted services and FTE(2) would affect treatment for clients negatively. It may result in fewer clients being served, depending on the acuity level of the clients.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

MCDC will prioritize services and staffing levels to lessen the impact to the clients.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE -  
YES OR NO:**

No. The services to be eliminated are not mandated by state or federal statute.

**AGENCY CODE & NAME: 6911 DPHHS, ADDICTIVE AND MENTAL DISORDERS DIVISION**

**#1**

**BRIEF DESCRIPTION OF SERVICE TO BE CONSIDERED FOR ELIMINATION OR REDUCTION:**  
Reduce central office staff at the Addictive and Mental Disorder Division

**#2**

**THE SAVINGS THAT ARE EXPECTED:**  
General fund savings of \$213,975/yr.

**#3**

**THE CONSEQUENCES OR IMPACTS OF THE PROPOSED ELIMINATION OR REDUCTION:**  
Reduce the services provided to state facilities and community partners by central office staff.

**#4**

**HOW THE IMPACT TO CONSTITUENTS AND STAFF MIGHT BE MITIGATED:**

Service will be prioritized to mitigate the effect on the state facilities and community partners.

**#5**

**WHETHER THE SERVICE IS SPECIFICALLY REQUIRED BY STATE & /OR FEDERAL STATUTE - YES OR NO:**  
No. The services to be eliminated are not mandated by state or federal statute.

**Department of Public Health and Human Services  
Medicaid and Health Services Branch  
Medicaid and Health Services Management Program (MHSM)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- Government Efficiency
- Health Care Access

**MHSM Goal:**

- Assure necessary healthcare is available to all eligible Montanans

**MHSM Objectives:**

- Maintain systems to accurately and adequately pay for healthcare services
- Finance healthcare for low income Montanans in accordance with state and federal directives
- Reimburse Medicaid, Mental Health Services Plan and Healthy Montana kids within the required state and federal timelines

**Measurements:**

- Modifications are implemented that maintain access and prevent adverse findings from program reviews.
- The Fiscal Agent contract is monitored to ensure compliance with prompt payment requirements.

**Department of Public Health and Human Services  
Medicaid and Health Services Branch  
Developmental Services Division (DSD)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- Community Based Services
- Family/Individual Self Sufficiency
- Government Efficiency

**DSD Goal:**

- To continuously improve services that help Montanans with disabilities to live, work and fully participate in their communities.

**DSD Objectives:**

- Continually work to maintain an effective system of community based services for persons with disabilities and children with serious emotional disturbance while emphasizing informed consumer choice
- Improve, strengthen and protect the well-being and self-reliance of individuals served at the Montana Developmental Center in an environment of respect and dignity
- Increase the number of individuals in integrated employment and number of individuals self-directing their supports and services

**Measurements:**

Through review and analysis, the division determines whether:

- DSD Medicaid increases opportunities for integrated employment, self-directed, and wraparound services.
- The infrastructures of MDC and community based providers are continuously improved.
- Services are provided to new individuals on the developmental disabilities waiting list, including those who are transitioning from school to adult life, as funding permits.

**Department of Public Health and Human Services  
Medicaid and Health Services Branch  
Health Resources Division (HRD)  
2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- Health Care Access

**HRD Goal:**

- Assure necessary healthcare is available to all eligible Montanans

**HRD Objectives:**

- Reduce the number of uninsured Montana children
- Maintain systems to accurately and adequately pay for healthcare services
- Maintain adequate access to medical services for Medicaid
- Finance healthcare for low income Montanans in accordance with state and federal directives.

**Measurements:**

Through review and analysis, the division determines whether:

- The number of low to moderate income Montana children enrolled in the Healthy Montana Kids program is increased.
- Modifications that maintain access and prevent adverse findings from program reviews are implemented.
- Provider networks are monitored and maintained at current levels with priorities for primary care providers
- Favorable outcomes in program and financial reviews and audits are maintained.
- Approved amendments to state Medicaid plans and waivers are maintained.

**Department of Public Health and Human Services  
Medicaid and Health Services Branch  
Senior and Long Term Care Division (SLTCD)  
FY 2015 Biennium Goals and Objectives**

**Guiding Principles:**

- Sustainability
- Efficiency
- Effectiveness

**Themes:**

- Community based services
- Family economic self sufficiency

**SLTCD Goal:**

- Advocate for and promote dignity and independence for older Montanans and Montanans with disabilities.

**SLTCD Objectives:**

- Increase the ability of Montanans to prepare to meet their own long term care needs, or the long term care needs of a relative or a friend.
- Ensure high quality publicly funded long term care services are available.
- Support Montanans in their desire to stay in their own homes or live in smaller community based residential settings for as long as possible.
- Protect senior citizens and people with disabilities who are at risk of abuse, neglect and exploitation while maintaining maximum independence and self-determination.
- Develop and provide efficient, effective, high quality nursing facility services to Montana veterans.

**Measurements:**

- Maintain a coordinated continuing education program to inform Montanans about long term care issues and options emphasizing the need for planning and personal responsibility.
- Maintain the number of home delivered meals and caregivers receiving support services, such as, respite through aging services network.
- The number of Montanans age 65 or older who live at home or in small community alternatives is maintained through rebalancing efforts using home and community based services.
- Abuse prevention activities are supported through development of chapters on prevention of elder abuse while reducing state held guardianships.
- Licensure and certification standards for nursing facility services under federal and state, as well as, veterans' administrations guidelines, are met.

**Department of Public Health and Human Services  
Medicaid and Health Services Branch  
Addictive and Mental Disorders Division (AMDD)  
2015 Biennium Goals and Objectives**

**Guiding Principles**

- Sustainability
- Efficiency
- Effectiveness

**Themes**

- Community-based services
- Systems of care
- Public safety

**AMDD Goal**

- Provide services in appropriate settings that sustain and improve the lives of individuals with mental illness and addictive disorders

**AMDD Objectives**

- Support a community-based system of care for adults
- Provide and reimburse effective prevention and treatment that enables sustainable recovery in communities
- Improve outcomes for individuals with serious mental illness and co-occurring substance use disorders

**Measurement**

- Through review and analysis, the division determines whether direction and support is given to providers for delivery of recovery-focused services.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	354.91	354.91	360.91	360.91	354.91	360.91	6.00	1.69%
Personal Services	17,724,714	18,459,326	19,047,778	19,007,204	36,184,040	38,054,982	1,870,942	5.17%
Operating Expenses	6,406,307	5,632,350	6,524,840	6,543,454	12,038,657	13,068,294	1,029,637	8.55%
Grants	0	400,941	0	0	400,941	0	(400,941)	(100.00%)
Benefits & Claims	204,865,266	214,398,460	233,239,871	246,858,149	419,263,726	480,098,020	60,834,294	14.51%
<b>Total Costs</b>	<b>\$228,996,287</b>	<b>\$238,891,077</b>	<b>\$258,812,489</b>	<b>\$272,408,807</b>	<b>\$467,887,364</b>	<b>\$531,221,296</b>	<b>\$63,333,932</b>	<b>13.54%</b>
General Fund	72,165,391	75,814,375	81,799,216	85,821,775	147,979,766	167,620,991	19,641,225	13.27%
State Special	6,664,233	5,607,178	6,664,233	6,664,233	12,271,411	13,328,466	1,057,055	8.61%
Federal Special	150,166,663	157,469,524	170,349,040	179,922,799	307,636,187	350,271,839	42,635,652	13.86%
<b>Total Funds</b>	<b>\$228,996,287</b>	<b>\$238,891,077</b>	<b>\$258,812,489</b>	<b>\$272,408,807</b>	<b>\$467,887,364</b>	<b>\$531,221,296</b>	<b>\$63,333,932</b>	<b>13.54%</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>Disability 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 services children’s mental health - \$18.6 million (\$7.6 million general fund)</li> <li>• Expansion of waivers for children’s mental health and developmental disabilities program - \$27.8 million (\$9.4 million general fund)</li> <li>• Expansion of community based youth mental health services - \$12.4 million federal funds</li> <li>• Proposed increase in provider rates - \$11.7 million (\$3.7 million general fund)</li> <li>• Request for overtime, holiday and pay differential for the Montana Developmental Center - \$0.89 million general fund.</li> <li>• Proposed increase of 6.00 FTE to provide services related to children’s mental health waivers - \$0.75 million (\$0.38 million general fund)</li> <li>• Statewide present law adjustments – \$1.2 million</li> </ul> </li> </ul>	

**Funding**

The following table shows program funding by source, for the base year and the 2015 biennium as recommended by the Governor.

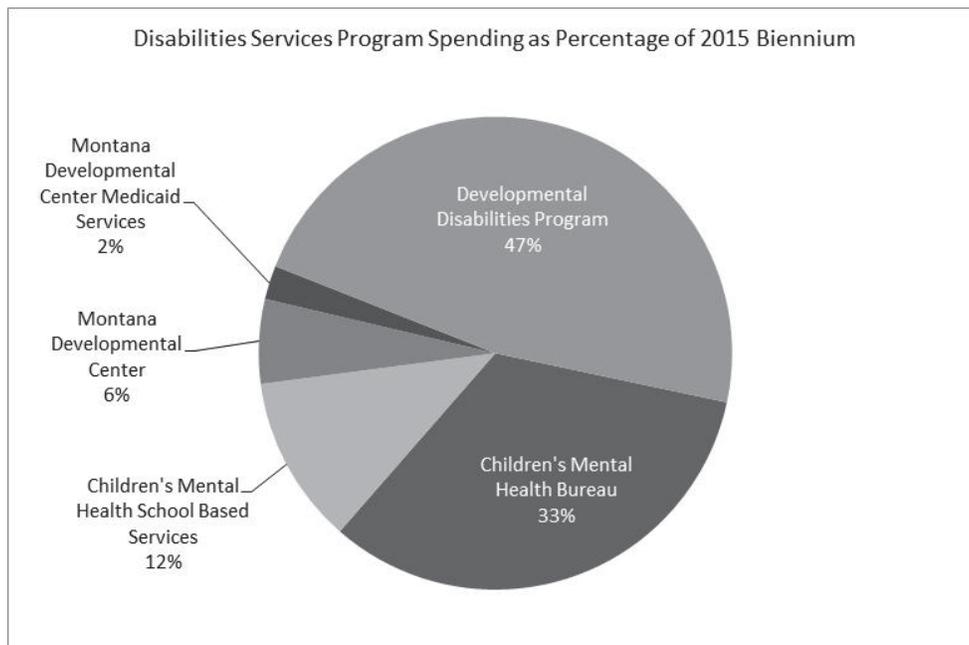
Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Developmental Services Division							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$167,620,991	\$0	\$0	\$167,620,991	31.4%		
State Special Total	\$13,328,466	\$0	\$1,968,416	\$15,296,882	2.9%		
02035 Mdc Vocational	(\$14,412)	\$0	\$0	(\$14,412)	0.0%		
02310 Mdc Bond Repayment Revenue	\$0	\$0	\$1,968,416	\$1,968,416	0.4%	17-7-502	Direct
02597 Montana Healthy Kids Initiative	\$2,309,508	\$0	\$0	\$2,309,508	0.4%		
02772 Tobacco Hlth & Mediced Initiative	\$9,366,266	\$0	\$0	\$9,366,266	1.8%		
02987 Tobacco Interest	\$1,667,104	\$0	\$0	\$1,667,104	0.3%		
Federal Special Total	\$350,271,839	\$0	\$0	\$350,271,839	65.7%		
03237 Alternative To Psych Treatment Fac	\$1,853,160	\$0	\$0	\$1,853,160	0.3%		
03387 Indv Disab Education Act Arra	\$529,529	\$0	\$0	\$529,529	0.1%		
03556 84.181 - Part H - Early Interv	\$2,597,730	\$0	\$0	\$2,597,730	0.5%		
03579 93.667 - Ssbj - Benefits	\$7,485,216	\$0	\$0	\$7,485,216	1.4%		
03580 6901-93.778 - Med Adm 50%	\$5,777,295	\$0	\$0	\$5,777,295	1.1%		
03599 03 Indirect Activity Prog 10	\$6,651,521	\$0	\$0	\$6,651,521	1.2%		
Total All Funds	\$531,221,296	\$0	\$1,968,416	\$533,189,712	100.0%		
<b>Percent - Total All Sources</b>	<b>99.6%</b>	<b>0.0%</b>	<b>0.4%</b>				

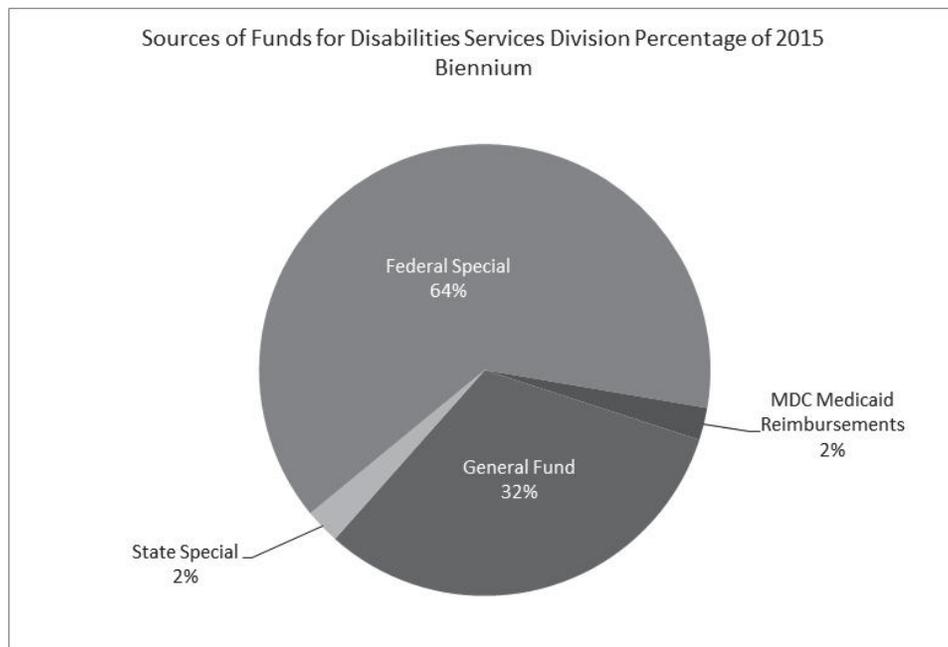
The division is organized into five major programs. Spending and funding sources are shown below.

- 1) Children’s Mental Health Bureau (CMHB) - CMHB is responsible for providing mental health services for youth enrolled in Medicaid. CMHB also administers school-based services. It is funded almost entirely with federal Medicaid funds and associated matching state funds at FMAP.

- 2) 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. Eligible services are billed to Medicaid, the federal match for these services are captured in sub program 05.
- 3) 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. DDP also receives funding from federal Social Services block grants.
- 4) Children’s Mental Health School Based Services – This function provides Comprehensive School and Community Treatment (CSCT), a school based mental health service providing mental health services for SED youth. It is administered by the CMHB and is funded with federal Medicaid dollars that are matched by local school district funds.
- 5) MDC Medicaid Services – Clients of the MDC may be eligible for Medicaid services. MDC bills Medicaid for these services, the federal matching funds are captured in this program. These revenues must first be applied to MDC bond payments with the balance going to the state general fund.

The following charts show the total division funding by program and total funding by source in the 2015 biennium.





The division also administers three Medicaid waiver programs

- The Comprehensive Services waiver typically serves 2,100 persons. Currently there are 905 people on the waiting list. The average cost is about \$37,000 per person per year, while cost plans ranged as high as \$200,000 per person per year and as low as \$10,000 per person per year.
- Community Supports waiver typically serves 310 persons with a waiting list of about 106. Cost per person is capped at \$7,800 with an average cost of \$5,750 per person per year.
- Children's Autism Waiver is limited to 50 children between 15 months and 7 years old; children are served for a maximum of three years. Currently 72 children are on the waiting list. The average cost plan is \$43,000 per child per year.

The figure below provides a breakdown of benefits and claims for both years of the 2015 biennium.

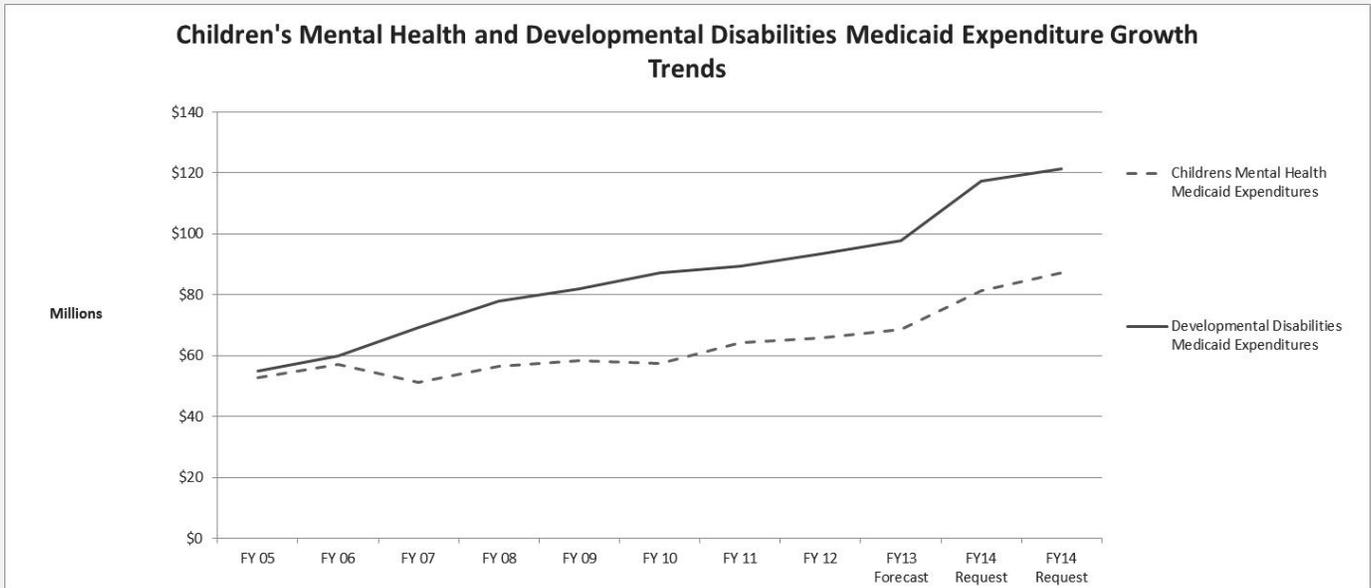
Disability Services Division Summary of Benefits and Claims by Funding Source												
Description	FY2012 Base Budget				FY2014 Request				FY2015 Request			
	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds
Benefits and Claims												
Children's Mental Health Benefits and Grants	\$781,375	\$0	\$212,709	\$994,084	\$801,338	\$0	\$212,628	\$1,013,966	\$821,617	\$0	\$212,628	\$1,034,245
Medicaid Children's Mental Health	20,344,709	3,129,309	46,022,105	69,496,123	24,375,867	3,129,309	52,671,772	80,176,948	26,836,186	3,129,309	56,342,491	86,307,986
DD Benefits	867,201		3,529,980	4,397,181	955,145		3,529,980	4,485,125	1,044,847		3,529,980	4,574,827
Medicaid Comprehensive Waiver	26,688,450	2,942,130	58,660,212	88,290,792	30,654,787	2,942,130	66,035,109	99,632,026	32,006,823	2,942,130	68,529,793	103,478,746
Medicaid DD Community Service Waiver	615,572		1,206,609	1,822,181	696,638		1,359,608	2,056,246	724,643		1,410,993	2,135,636
Medicaid DD Autism Waiver	450,403		883,276	1,333,679	509,764		995,231	1,504,995	530,259		1,032,842	1,563,101
Medicaid DD Targeted Case Management	1,156,523		2,267,201	3,423,724	1,366,449		2,614,660	3,981,109	1,436,048		2,694,229	4,130,277
Medicaid DD Administration	563,912		638,460	1,202,372	524,105		678,268	1,202,372	524,105		678,268	1,202,372
DD IDEA Early Intervention	2,204,273	600,000	1,563,235	4,367,508	2,204,273	600,000	1,563,235	4,367,508	2,204,273	600,000	1,563,235	4,367,508
MDC Medicaid			6,137,361	6,137,361			6,137,361	6,137,361			6,137,361	6,137,361
Children's Mental Health School Based Services			23,400,261	23,400,261			28,682,215	28,682,215			\$31,926,090	\$31,926,090
<b>Total Benefits and Claims</b>	<b>\$53,672,418</b>	<b>\$6,671,439</b>	<b>\$144,521,409</b>	<b>\$204,865,266</b>	<b>\$62,088,366</b>	<b>\$6,671,439</b>	<b>\$164,480,067</b>	<b>\$233,239,871</b>	<b>\$66,128,801</b>	<b>\$6,671,439</b>	<b>\$174,057,910</b>	<b>\$246,858,149</b>

**LFD COMMENT** Medicaid expenditures for children’s mental health and disabilities services have increased at an annual rate of 4.3% since FY 2009; the budget request reflects an anticipated annual growth rate of 9.4% from FY 2012 to FY 2014. Three factors are driving this accelerated growth:

- About 24 eligible clients were moved from MDC to Medicaid funded community based services and \$2.5 million of this impact to Medicaid was not captured in the base budget
- The previous legislature approved efforts to switch funding from general fund to Medicaid funding where possible (refinancing). This decision point required persons who had not applied or who were not previously eligible for Medicaid services to shift from services funded by the general fund to services funded by Medicaid. This decision affected over 300 individuals with a net impact to Medicaid expenditures of \$6.0 million
- An increase in targeted case management caseload impacted Medicaid expenditures by \$0.4 million.

**LFD  
COMMENT CONT.**

The following figure illustrates. growth rates for FY 2014 and beyond are anticipated to return to rates experienced prior to FY 2012.



*Personal Services*

- The agency experienced an overall vacancy savings rate comparing utilized hours to budgeted hours of 6.9% compared to the budgeted 4%
  - There are 24.69 FTE currently vacant positions Two positions have been vacant for more than one year
  - Eleven positions have been vacant for more than six months
- Employees of this division received the general pay adjustments provided to all employees of the agency (discussed in the Summary section of this narrative). In total, 449 pay adjustments have been made in the 2013 biennium costing approximately \$0.86 million, including \$0.7 million for the general pay increase
- For the 2015 biennium personal services expenses are budgeted for persons involved in the following functions:
  - Operations 72%
  - Administration 20%
  - Facilities maintenance 6%

The remaining 2% is overtime and holiday/differential pay for employees in all functions

- New proposals in Children’s Mental Health add 6.00 FTE Human Service specialists (DP 10208)
- In the FY 2015 biennium about 11% of personal services costs are funded with federal funds, while 89% are funded with general fund

**6911 - MEDICAID AND HEALTH SERVICES BRANCH 10-DEVELOPMENTAL SERVICES DIVISION**

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	72,165,391	72,165,391	144,330,782	86.11%	228,996,287	228,996,287	457,992,574	86.22%
Statewide PL Adjustments	534,135	490,731	1,024,866	0.61%	597,433	542,631	1,140,064	0.21%
Other PL Adjustments	7,696,221	10,514,928	18,211,149	10.86%	24,978,010	34,689,382	59,667,392	11.23%
New Proposals	1,403,469	2,650,725	4,054,194	2.42%	4,240,759	8,180,507	12,421,266	2.34%
<b>Total Budget</b>	<b>\$81,799,216</b>	<b>\$85,821,775</b>	<b>\$167,620,991</b>		<b>\$258,812,489</b>	<b>\$272,408,807</b>	<b>\$531,221,296</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,321,700					1,265,429
Vacancy Savings					(761,853)					(759,599)
Inflation/Deflation					(23,028)					(12,516)
Fixed Costs					60,614					49,317
<b>Total Statewide Present Law Adjustments</b>		<b>\$534,135</b>	<b>\$0</b>	<b>\$63,298</b>	<b>\$597,433</b>		<b>\$490,731</b>	<b>\$0</b>	<b>\$51,900</b>	<b>\$542,631</b>
DP 10102 - MDC Medical Inflation	0.00	12,771	0	0	12,771	0.00	19,445	0	0	19,445
DP 10201 - Med Ben Core Services Caseload Children's MH	0.00	3,024,142	0	4,508,699	7,532,841	0.00	4,571,317	0	6,446,581	11,017,898
DP 10202 - Med Ben Waiver Services Caseload Dev Dis	0.00	4,103,138	0	8,061,516	12,164,654	0.00	5,266,621	0	10,324,321	15,590,942
DP 10203 - Med Ben Federal Only Caseload Dev Dis	0.00	0	0	4,813,949	4,813,949	0.00	0	0	7,580,458	7,580,458
DP 10301 - Required Overtime/Holiday/Differential MDC	0.00	435,888	0	0	435,888	0.00	450,007	0	0	450,007
DP 10401 - Med Ben Waiver FMAP Dev Dis	0.00	146,700	0	(146,700)	0	0.00	194,135	0	(194,135)	0
DP 10402 - Med Ben Core FMAP Children's MH	0.00	(32,976)	0	32,976	0	0.00	1,772	0	(1,772)	0
DP 10501 - Private Lease Adjustment	0.00	6,558	0	11,349	17,907	0.00	11,631	0	19,001	30,632
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,696,221</b>	<b>\$0</b>	<b>\$17,281,789</b>	<b>\$24,978,010</b>	<b>0.00</b>	<b>\$10,514,928</b>	<b>\$0</b>	<b>\$24,174,454</b>	<b>\$34,689,382</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$8,230,356</b>	<b>\$0</b>	<b>\$17,345,087</b>	<b>\$25,575,443</b>	<b>0.00</b>	<b>\$11,005,659</b>	<b>\$0</b>	<b>\$24,226,354</b>	<b>\$35,232,013</b>

**6911 - MEDICAID AND HEALTH SERVICES BRANCH      10-DEVELOPMENTAL SERVICES DIVISION**

**New Proposals**

Program	-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 10208 - Children's Mental Health Waiver as State Plan	10	6.00	188,799	0	188,799	377,598	6.00	188,461	0	188,461	376,922
DP 10901 - DD Medicaid Provider Rate Increase	10	0.00	638,857	0	1,258,551	1,897,408	0.00	1,295,474	0	2,537,290	3,832,764
DP 10902 - DDP Non-Medicaid Provider Rate Increase	10	0.00	87,944	0	0	87,944	0.00	177,646	0	0	177,646
DP 10903 - PRI - CMH Medicaid Core	10	0.00	467,987	0	921,935	1,389,922	0.00	948,983	0	1,858,660	2,807,643
DP 10904 - CMH Non-Medicaid Provider Rate Increase	10	0.00	19,882	0	0	19,882	0.00	40,161	0	0	40,161
DP 10905 - CMH 100% Federal Medicaid Provider Rate Increase	10	0.00	0	0	468,005	468,005	0.00	0	0	945,371	945,371
<b>Total</b>	<b>6.00</b>	<b>\$1,403,469</b>	<b>\$0</b>	<b>\$2,837,290</b>	<b>\$4,240,759</b>	<b>6.00</b>	<b>\$2,650,725</b>	<b>\$0</b>	<b>\$5,529,782</b>	<b>\$8,180,507</b>	

**Sub-Program Details**

**CHILDREN'S MENTAL HEALTH SERVICES 01**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	19.15	0.00	6.00	25.15	0.00	6.00	25.15	25.15
Personal Services	1,244,056	(72,771)	327,329	1,498,614	(70,824)	326,653	1,499,885	2,998,499
Operating Expenses	2,034,815	8,915	50,269	2,093,999	8,328	50,269	2,093,412	4,187,411
Benefits & Claims	70,490,207	9,290,903	1,409,804	81,190,914	14,004,220	2,847,804	87,342,231	168,533,145
<b>Total Costs</b>	<b>\$73,769,078</b>	<b>\$9,227,047</b>	<b>\$1,787,402</b>	<b>\$84,783,527</b>	<b>\$13,941,724</b>	<b>\$3,224,726</b>	<b>\$90,935,528</b>	<b>\$175,719,055</b>
General Fund	22,209,524	3,565,123	676,668	26,451,315	5,558,038	1,177,605	28,945,167	55,396,482
State/Other Special	3,129,309	0	0	3,129,309	0	0	3,129,309	6,258,618
Federal Special	48,430,245	5,661,924	1,110,734	55,202,903	8,383,686	2,047,121	58,861,052	114,063,955
<b>Total Funds</b>	<b>\$73,769,078</b>	<b>\$9,227,047</b>	<b>\$1,787,402</b>	<b>\$84,783,527</b>	<b>\$13,941,724</b>	<b>\$3,224,726</b>	<b>\$90,935,528</b>	<b>\$175,719,055</b>

**Sub-Program Description**

The Children's Mental Health Bureau (CMHB) administers mental health services for children, including Medicaid funded services, an expanded mental health benefit program in HMK for seriously emotionally disturbed (SED) children, and very limited services supported by general fund. The expanded mental health benefit program in HMK is limited to 130 children and budgeted in the Health Resources Division.

Seriously emotionally disturbed youth eligible for Medicaid services have access to a continuum of mental health services if they meet requirements of medical necessity. The costs of the Medicaid services are included in either the Health Resource Division or the Disability Services Division proposed budgets.

It is DSD's policy to serve youth in the least restrictive setting appropriate to the youth's needs. Basic outpatient mental health services are provided by licensed mental health professionals, including psychologists, social workers, and professional counselors. Medical providers such as advanced practice nurses, psychiatrists, or primary care doctors also provide mental health services. These professionals are often the first to interact with the child and his/her family at the

onset of symptoms. The annual costs for individually licensed mental health professionals is in the DSD budget while the costs of medical providers and medications are included in the Health Resource Division budget.

Next in the continuum of care for youth with SED and his/her family are mental health center outpatient services. These include individual, group, and family therapy provided in a clinic setting, psychotropic medication management, target youth case management, youth day treatment, community-based psychiatric rehabilitation and support services, comprehensive school and community treatment, and therapeutic family care. These services are provided when a youth's symptoms cannot be managed successfully with limited therapies and medication. The youth continues to reside with his/her family but both the child and the family receive increased services through the mental health center. The majority of the costs included in this category of services are included in the Children's Mental Health Bureau budget.

In addition to the services provided above is the cost of Comprehensive School and Community Treatment (CSCT). This is a school based service that provides mental health services for SED youth using local school resources to match Medicaid dollars. For a more detailed description see that subprogram in this narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	22,209,524	22,209,524	44,419,048	80.18%	73,769,078	73,769,078	147,538,156	83.96%
Statewide PL Adjustments	1,952	15,544	17,496	0.03%	(63,856)	(62,496)	(126,352)	(0.07%)
Other PL Adjustments	3,563,171	5,542,494	9,105,665	16.44%	9,290,903	14,004,220	23,295,123	13.26%
New Proposals	676,668	1,177,605	1,854,273	3.35%	1,787,402	3,224,726	5,012,128	2.85%
<b>Total Budget</b>	<b>\$26,451,315</b>	<b>\$28,945,167</b>	<b>\$55,396,482</b>		<b>\$84,783,527</b>	<b>\$90,935,528</b>	<b>\$175,719,055</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(23,967)					(21,940)
Vacancy Savings					(48,804)					(48,884)
Inflation/Deflation					(125)					(21)
Fixed Costs					9,040					8,349
<b>Total Statewide Present Law Adjustments</b>		<b>\$1,952</b>	<b>\$0</b>	<b>(\$65,808)</b>	<b>(\$63,856)</b>		<b>\$15,544</b>	<b>\$0</b>	<b>(\$78,040)</b>	<b>(\$62,496)</b>
DP 10201 - Med Ben Core Services Caseload Children's MH	0.00	2,835,501	0	4,208,429	7,043,930	0.00	4,338,639	0	6,111,025	10,449,664
DP 10202 - Med Ben Waiver Services Caseload Dev Dis	0.00	757,904	0	1,489,069	2,246,973	0.00	1,200,729	0	2,353,827	3,554,556
DP 10401 - Med Ben Waiver FMAP Dev Dis	0.00	972	0	(972)	0	0.00	1,449	0	(1,449)	0
DP 10402 - Med Ben Core FMAP Children's MH	0.00	(31,206)	0	31,206	0	0.00	1,677	0	(1,677)	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,563,171</b>	<b>\$0</b>	<b>\$5,727,732</b>	<b>\$9,290,903</b>	<b>0.00</b>	<b>\$5,542,494</b>	<b>\$0</b>	<b>\$8,461,726</b>	<b>\$14,004,220</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,565,123</b>	<b>\$0</b>	<b>\$5,661,924</b>	<b>\$9,227,047</b>	<b>0.00</b>	<b>\$5,558,038</b>	<b>\$0</b>	<b>\$8,383,686</b>	<b>\$13,941,724</b>

DP 10201 - Med Ben Core Services Caseload Children's MH - This present law adjustment for caseload growth in the Developmental Services Division covers the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care.

**LFD COMMENT** For a further discussion of the requested increase in Medicaid caseload costs, see the summary section of this division's narrative.

DP 10202 - Med Ben Waiver Services Caseload Dev Dis - This present law adjustment for caseload growth in the Developmental Services Division covers the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care. For a further discussion, see the summary section of this division's narrative.

DP 10401 - Med Ben Waiver FMAP Dev Dis - This decision package adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds. Because the rate the federal government will now pay is reduced, general fund is increased and federal funds decreased by a like amount.

DP 10402 - Med Ben Core FMAP Children's MH - This decision package adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds. Because the rate the federal government will now pay is reduced, general fund is increased and federal funds decreased by a like amount.

**LFD COMMENT** DP10401 and 10402 are requests to shift expenses from the federal government to general fund. Expenditures in the base year were at a rate of 33.57% state funds and 66.43% federal funds. The FMAP rate for the 2015 biennium is projected at 33.78% state funds and 66.22% federal funds. The total budgeted expense remains unchanged.

**New Proposals**

Sub Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10208 - Children's Mental Health Waiver as State Plan										
01	6.00	188,799	0	188,799	377,598	6.00	188,461	0	188,461	376,922
DP 10903 - PRI - CMH Medicaid Core										
01	0.00	467,987	0	921,935	1,389,922	0.00	948,983	0	1,858,660	2,807,643
DP 10904 - CMH Non-Medicaid Provider Rate Increase										
01	0.00	19,882	0	0	19,882	0.00	40,161	0	0	40,161
<b>Total</b>	<b>6.00</b>	<b>\$676,668</b>	<b>\$0</b>	<b>\$1,110,734</b>	<b>\$1,787,402</b>	<b>6.00</b>	<b>\$1,177,605</b>	<b>\$0</b>	<b>\$2,047,121</b>	<b>\$3,224,726</b>

DP 10208 - Children's Mental Health Waiver as State Plan - This new proposal would make 6.00 modified FTE, who were originally approved for the CMH Waiver, become permanent FTEs to continue the work of providing the waiver services as a Medicaid State Plan amendment. The agency would share the personal services expenses with federal Medicaid on a 50/50 basis.

**LFD ISSUE** The Community Alternatives to Psychiatric Residential Treatment Facility (PRTF)  
This grant waiver was a five-year demonstration project that started in 2007 and expired on September 30, 2012. The agency has applied to the Centers for Medicare and Medicaid Services (CMS) to make the project a permanent state program.

<b>LFD ISSUE CONT.</b>	<p>Currently the six modified FTE are working under a bridge waiver that allows the agency to serve clients currently in the program. While operating under the bridge waiver no new clients can be added.</p> <p>This DP is a request to make the 6.00 FTE permanent in anticipation that the agency’s application for a permanent state program is granted. Under the guidelines in the demonstration project participants were required to answer two primary questions:</p> <ul style="list-style-type: none"> <li>○ Is the demonstration program effective at improving or maintaining a child or youth’s functional level?</li> <li>○ Is it cost neutral to serve youth in the community under the Waiver as compared to serving them in a PRTF?</li> </ul> <p>The legislature may wish to discuss with the agency the effectiveness of the program, along with two issues.</p> <ul style="list-style-type: none"> <li>○ The agency’s application for a permanent state program has not yet been approved. The legislature may consider making the approval contingent on the agency receiving approval of the application,</li> <li>○ Should approval be granted, the program would become a benefit instead of a waiver. The legislature may wish to discuss with the agency what options are available to limit the growth of the program.</li> </ul>
----------------------------	--

DP 10903 - PRI - CMH Medicaid Core - This new proposal requests a 2% provider rate increase in each year of the biennium for the Children's Mental Health Medicaid Core. For a further discussion, see the summary section of this agency’s narrative.

DP 10904 - CMH Non-Medicaid Provider Rate Increase - This new proposal requests a 2% provider rate increase each year of the biennium for the Children's Mental Health Non- Medicaid. For a further discussion, see the summary section of this agency’s narrative.

**Sub-Program Details**

**MT DEVELOPMENTAL CENTER 02**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	251.14	0.00	0.00	251.14	0.00	0.00	251.14	251.14
Personal Services	11,969,444	794,900	0	12,764,344	751,958	0	12,721,402	25,485,746
Operating Expenses	2,553,034	34,612	0	2,587,646	41,120	0	2,594,154	5,181,800
<b>Total Costs</b>	<b>\$14,522,478</b>	<b>\$829,512</b>	<b>\$0</b>	<b>\$15,351,990</b>	<b>\$793,078</b>	<b>\$0</b>	<b>\$15,315,556</b>	<b>\$30,667,546</b>
General Fund	14,529,684	829,512	0	15,359,196	793,078	0	15,322,762	30,681,958
State/Other Special	(7,206)	0	0	(7,206)	0	0	(7,206)	(14,412)
<b>Total Funds</b>	<b>\$14,522,478</b>	<b>\$829,512</b>	<b>\$0</b>	<b>\$15,351,990</b>	<b>\$793,078</b>	<b>\$0</b>	<b>\$15,315,556</b>	<b>\$30,667,546</b>

**Sub-Program Description**

The mission of the Montana Developmental Center (MDC) is to improve, preserve, strengthen, and protect the health, well-being, and self-reliance of all individuals served, in an environment that respects and develops those individuals charged with providing services. MDC's program is directed toward preparing clients for discharge to an appropriate program in a community setting. All persons are recognized as having the capability to grow and develop throughout their lifetime. All individual clients are ensured the right to be treated with dignity and respect and are provided the opportunity to realize their potential.

MDC, located in Boulder, provides a healthy, safe, therapeutic environment to assist individuals with developmental disabilities prepare for community living. MDC also provides a safety net for those individuals who pose a danger to themselves or others. MDC is licensed by Medicaid as an ICF/MR (Intermediate Care Facility for Mental Retardation) and by the State of Montana as an ICF/DD (Intermediate Care Facility for Developmental Disabilities) and currently serves 50 individuals.

Individuals arrive at MDC by civil or court commitment, or by court referral for a short term evaluation of their fitness to proceed in criminal cases. Civil commitments are for no longer than one year. In criminal cases, if an individual is capable to stand trial and found guilty, but placement in the correction system is determined inappropriate, the individual can be committed to MDC as a criminal to serve a criminal sentence. The state must take an individual for an emergency civil commitment or for a criminal sentence.

MDC may not reject any person sent to the facility and is currently the institution of last resort for those that are committed or criminally sentenced for being a danger to self or others. In recent years those committed to MDC have been convicted of sexual assault, assault and homicide. The majority of those sent to MDC have low IQ, mental illnesses, substance abuse problems or a combination of these issues.

**LFD  
COMMENT**

MDC consists of two separate facilities:

- Intermediate Care Facility for Mental Retardation (ICF-MR) is licensed for 44 beds and is funded entirely by general fund. Eligible Medicaid services are then billed to the federal Medicaid program, the revenues from which are used first to pay off bonds and the balance deposited into the general fund. This unit houses individuals who may be civilly committed to MDC because they have engaged in criminal activity but have been determined to be incompetent and unable to understand their actions. Those involved in criminal activity but deemed competent may also reside in this unit if it is determined that they are in need of treatment for mental health issues. This unit was originally designed and licensed for 56 beds but was reduced when the legislature approved moving 12 clients into community services. There has not been a corresponding reduction in overhead cost and as a result the cost per client has increased in recent years and is forecasted to increase in the next biennium.
- A 12-bed Intermediate Care Facility for Developmental Disabilities (ICF-DD), also referred to as the Assessment and Stabilization Unit (ASU), is funded entirely with state general fund. The ASU is a locked and enclosed facility that houses individuals who are unlikely to be candidates for community inclusion because of the significant safety issues associated with their care, including protecting both of the client and the caretakers.

**LFD  
COMMENT  
CONT.**

The figure below shows the population and related cost for FY 2008 through FY 2012 and the request for the 2015 biennium.

Montana Developmental Center Expenditures					
	Actual FY 2008	Actual FY 2010	Actual FY 2012	Requested FY 2014	Requested FY 2015
FTE	268	266.35	251.14	251.14	251.14
Personal Services	\$12,329,954	\$12,280,667	\$11,169,444	\$12,764,344	\$12,721,402
Operations	<u>2,913,672</u>	<u>2,851,119</u>	<u>2,553,034</u>	<u>2,587,646</u>	<u>2,594,154</u>
Total	\$15,243,626	\$15,131,786	\$13,722,478	\$15,351,990	\$15,315,556
General Fund	\$15,189,807	\$15,120,220	\$14,529,684	\$15,359,196	\$15,322,762
State Special Revenue	53,819	11,576	(7,206)	(7,206)	(7,206)
Federal Special Revenue	-	-	-	-	-
Total	<u>\$15,243,626</u>	<u>\$15,131,796</u>	<u>\$14,522,478</u>	<u>\$15,351,990</u>	<u>\$15,315,556</u>
Population	63	63	56	56	56
Annual Cost per Person	241,962	240,187	259,330	274,143	273,492
Cost per Day	663	658	710	751	749
Federal Medicaid Reimbursement	\$8,952,602	\$9,080,434	\$7,150,894	\$7,155,289	\$7,151,749
MDC Debt Service	<u>982,030</u>	<u>988,899</u>	<u>1,013,533</u>	<u>1,017,928</u>	<u>1,014,388</u>
Net to General Fund	<u>\$7,970,572</u>	<u>\$8,091,535</u>	<u>\$6,137,361</u>	<u>\$6,137,361</u>	<u>\$6,137,361</u>

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	14,529,684	14,529,684	29,059,368	94.71%	14,522,478	14,522,478	29,044,956	94.71%
Statewide PL Adjustments	380,853	323,626	704,479	2.30%	380,853	323,626	704,479	2.30%
Other PL Adjustments	448,659	469,452	918,111	2.99%	448,659	469,452	918,111	2.99%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$15,359,196</b>	<b>\$15,322,762</b>	<b>\$30,681,958</b>		<b>\$15,351,990</b>	<b>\$15,315,556</b>	<b>\$30,667,546</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					872,696					813,257
Vacancy Savings					(513,684)					(511,306)
Inflation/Deflation					(20,666)					(11,306)
Fixed Costs					42,507					32,981
<b>Total Statewide Present Law Adjustments</b>		<b>\$380,853</b>	<b>\$0</b>	<b>\$0</b>	<b>\$380,853</b>		<b>\$323,626</b>	<b>\$0</b>	<b>\$0</b>	<b>\$323,626</b>
DP 10102 - MDC Medical Inflation	0.00	12,771	0	0	12,771	0.00	19,445	0	0	19,445
DP 10301 - Required Overtime/Holiday/Differential MDC	0.00	435,888	0	0	435,888	0.00	450,007	0	0	450,007
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$448,659</b>	<b>\$0</b>	<b>\$0</b>	<b>\$448,659</b>	<b>0.00</b>	<b>\$469,452</b>	<b>\$0</b>	<b>\$0</b>	<b>\$469,452</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$829,512</b>	<b>\$0</b>	<b>\$0</b>	<b>\$829,512</b>	<b>0.00</b>	<b>\$793,078</b>	<b>\$0</b>	<b>\$0</b>	<b>\$793,078</b>

DP 10102 - MDC Medical Inflation - This present law adjustment is for inflation on prescription services at the Montana Developmental Center.

DP 10301 - Required Overtime/Holiday/Differential MDC - This present law adjustment is requested to fund overtime, holidays worked, and differential pay and the corresponding benefits for the Montana Developmental Center. These expenses are zero-based and must be requested in full for the 2015 biennium.

**Sub-Program Details**

**DEVELOPMENTAL DISABILITIES PROGRAM 04**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base	New	Total	PL Base	New	Total	Total
Budget Item	Fiscal 2012	Adjustment	Proposals	Exec. Budget	Adjustment	Proposals	Exec. Budget	Exec. Budget
	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	84.62	0.00	0.00	84.62	0.00	0.00	84.62	84.62
Personal Services	4,568,640	216,180	0	4,784,820	217,277	0	4,785,917	9,570,737
Operating Expenses	1,568,856	24,737	0	1,593,593	37,430	0	1,606,286	3,199,879
Benefits & Claims	104,837,437	10,406,592	1,985,352	117,229,381	12,604,620	4,010,410	121,452,467	238,681,848
<b>Total Costs</b>	<b>\$110,974,933</b>	<b>\$10,647,509</b>	<b>\$1,985,352</b>	<b>\$123,607,794</b>	<b>\$12,859,327</b>	<b>\$4,010,410</b>	<b>\$127,844,670</b>	<b>\$251,452,464</b>
General Fund	35,234,007	3,778,295	726,801	39,739,103	4,597,117	1,473,120	41,304,244	81,043,347
State/Other Special	3,542,130	0	0	3,542,130	0	0	3,542,130	7,084,260
Federal Special	72,198,796	6,869,214	1,258,551	80,326,561	8,262,210	2,537,290	82,998,296	163,324,857
<b>Total Funds</b>	<b>\$110,974,933</b>	<b>\$10,647,509</b>	<b>\$1,985,352</b>	<b>\$123,607,794</b>	<b>\$12,859,327</b>	<b>\$4,010,410</b>	<b>\$127,844,670</b>	<b>\$251,452,464</b>

**Sub-Program Description**

The mission of the Developmental Disabilities Program (DDP) is to support choices and opportunities for people with developmental disabilities and their communities. To accomplish this mission, DDP employs a person-centered planning approach.

DDP is organized into a central office and five regional offices with four satellite offices. The central office provides statewide management and supervision, program fiscal operations and budgeting, policy direction, quality assurance,

provider payment processing, and federal reporting functions. The offices across the state oversee 60 service provider agencies that provide services to over 4,500 individuals with developmental disabilities. The regional staff performs billing and invoicing, quality assurance monitoring, and case management functions.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	35,234,007	35,234,007	70,468,014	86.95%	110,974,933	110,974,933	221,949,866	88.27%
Statewide PL Adjustments	93,904	94,135	188,039	0.23%	223,010	224,075	447,085	0.18%
Other PL Adjustments	3,684,391	4,502,982	8,187,373	10.10%	10,424,499	12,635,252	23,059,751	9.17%
New Proposals	726,801	1,473,120	2,199,921	2.71%	1,985,352	4,010,410	5,995,762	2.38%
<b>Total Budget</b>	<b>\$39,739,103</b>	<b>\$41,304,244</b>	<b>\$81,043,347</b>		<b>\$123,607,794</b>	<b>\$127,844,670</b>	<b>\$251,452,464</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					415,545					416,686
Vacancy Savings					(199,365)					(199,409)
Inflation/Deflation					(2,237)					(1,189)
Fixed Costs					9,067					7,987
<b>Total Statewide Present Law Adjustments</b>		<b>\$93,904</b>	<b>\$0</b>	<b>\$129,106</b>	<b>\$223,010</b>		<b>\$94,135</b>	<b>\$0</b>	<b>\$129,940</b>	<b>\$224,075</b>
DP 10201 - Med Ben Core Services Caseload Children's MH	0.00	188,641	0	300,270	488,911	0.00	232,678	0	335,556	568,234
DP 10202 - Med Ben Waiver Services Caseload Dev Dis	0.00	3,345,234	0	6,572,447	9,917,681	0.00	4,065,892	0	7,970,494	12,036,386
DP 10401 - Med Ben Waiver FMAP Dev Dis	0.00	145,728	0	(145,728)	0	0.00	192,686	0	(192,686)	0
DP 10402 - Med Ben Core FMAP Children's MH	0.00	(1,770)	0	1,770	0	0.00	95	0	(95)	0
DP 10501 - Private Lease Adjustment	0.00	6,558	0	11,349	17,907	0.00	11,631	0	19,001	30,632
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,684,391</b>	<b>\$0</b>	<b>\$6,740,108</b>	<b>\$10,424,499</b>	<b>0.00</b>	<b>\$4,502,982</b>	<b>\$0</b>	<b>\$8,132,270</b>	<b>\$12,635,252</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$3,778,295</b>	<b>\$0</b>	<b>\$6,869,214</b>	<b>\$10,647,509</b>	<b>0.00</b>	<b>\$4,597,117</b>	<b>\$0</b>	<b>\$8,262,210</b>	<b>\$12,859,327</b>

DP 10201 - Med Ben Core Services Caseload Children's MH - This present law adjustment for caseload growth in the Developmental Services Division covers the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care.

<b>LFD COMMENT</b>	For a further discussion of the requested increase in Medicaid caseload costs, see the summary section of this division’s narrative.
--------------------	--

DP 10202 - Med Ben Waiver Services Caseload Dev Dis - This present law adjustment for caseload growth in the Developmental Services Division covers the increase in the number of eligible people, utilization, acuity level, and cost per service for medical care.

**LFD COMMENT** For a further discussion of the requested increase in Medicaid caseload costs, see the summary section of this division’s narrative.

DP 10401 - Med Ben Waiver FMAP Dev Dis - This present law adjustment adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds. Because the rate the federal government will now pay is reduced, general fund is increased and federal funds decreased by a like amount.

DP 10402 - Med Ben Core FMAP Children's MH - This present law adjustment adjusts the base year expenses from the FY 2012 FMAP (federal medical assistance participation) rate to the FY 2014 rate of 33.73% state funds and 66.27% federal funds. The FY 2015 rate is 33.78% state funds and 66.22% federal funds. Because the rate the federal government will now pay goes down, general fund is increased and federal funds decreased by a like amount.

DP 10501 - Private Lease Adjustment - This present law adjustment is to provide for lease expense adjustments for working space for employees in non-state owned buildings located throughout the state.

**New Proposals**

Sub Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10901 - DD Medicaid Provider Rate Increase										
04	0.00	638,857	0	1,258,551	1,897,408	0.00	1,295,474	0	2,537,290	3,832,764
DP 10902 - DDP Non-Medicaid Provider Rate Increase										
04	0.00	87,944	0	0	87,944	0.00	177,646	0	0	177,646
<b>Total</b>	<b>0.00</b>	<b>\$726,801</b>	<b>\$0</b>	<b>\$1,258,551</b>	<b>\$1,985,352</b>	<b>0.00</b>	<b>\$1,473,120</b>	<b>\$0</b>	<b>\$2,537,290</b>	<b>\$4,010,410</b>

DP 10901 - DD Medicaid Provider Rate Increase - This new proposal requests a 2% provider rate increase in each year of the biennium for the Developmental Disabilities Program Medicaid Core. For a further discussion, see the summary section of this agency’s narrative.

DP 10902 - DDP Non-Medicaid Provider Rate Increase - This new proposal requests a 2% provider rate increase each year of the biennium for the Developmental Disabilities Non-Medicaid. For a further discussion, see the summary section of this agency’s narrative.

**Sub-Program Details**

**FACILITY REIMBURSEMENTS MDC 05**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Benefits & Claims	6,137,361	0	0	6,137,361	0	0	6,137,361	12,274,722
<b>Total Costs</b>	<b>\$6,137,361</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,137,361</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,137,361</b>	<b>\$12,274,722</b>
Federal Special	6,137,361	0	0	6,137,361	0	0	6,137,361	12,274,722
<b>Total Funds</b>	<b>\$6,137,361</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,137,361</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,137,361</b>	<b>\$12,274,722</b>

**Sub-Program Description**

MDC receives reimbursements for Medicaid eligible clients. All revenues must first be applied to bonds for capital projects, with the balance remitted to the general fund.

<b>LFD COMMENT</b>	The funding shown in the figure above is net of bond payments. The figure below shows the history of Medicaid reimbursement, bond payments, and net remitted to the general fund.				
	<b>MDC Medicaid Reimbursements and Bond Payments</b>				
	Actual FY2008	Actual FY2010	Actual FY2012	Requested FY2014	Requested FY2015
Federal Medicaid Reimbursement	\$8,952,602	\$9,080,434	\$7,150,894	\$7,155,289	\$7,151,749
MDC Debt Service	<u>982,030</u>	<u>988,899</u>	<u>1,013,533</u>	<u>1,017,928</u>	<u>1,014,388</u>
Net to General Fund	<u>\$7,970,572</u>	<u>\$8,091,535</u>	<u>\$6,137,361</u>	<u>\$6,137,361</u>	<u>\$6,137,361</u>

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	0	0	0	0.00%	6,137,361	6,137,361	12,274,722	100.00%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$6,137,361</b>	<b>\$6,137,361</b>	<b>\$12,274,722</b>	

**Sub-Program Details-HL1**

**CHILDREN'S MENTAL HEALTH SCHOOL BAS 07**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
Personal Services	(57,426)	57,426	0	0	57,426	0	0	0
Operating Expenses	249,602	0	0	249,602	0	0	249,602	499,204
Benefits & Claims	23,400,261	4,813,949	468,005	28,682,215	7,580,458	945,371	31,926,090	60,608,305
<b>Total Costs</b>	<b>\$23,592,437</b>	<b>\$4,871,375</b>	<b>\$468,005</b>	<b>\$28,931,817</b>	<b>\$7,637,884</b>	<b>\$945,371</b>	<b>\$32,175,692</b>	<b>\$61,107,509</b>
General Fund	192,176	57,426	0	249,602	57,426	0	249,602	499,204
Federal Special	23,400,261	4,813,949	468,005	28,682,215	7,580,458	945,371	31,926,090	60,608,305
<b>Total Funds</b>	<b>\$23,592,437</b>	<b>\$4,871,375</b>	<b>\$468,005</b>	<b>\$28,931,817</b>	<b>\$7,637,884</b>	<b>\$945,371</b>	<b>\$32,175,692</b>	<b>\$61,107,509</b>

**Sub-Program Description**

Comprehensive School and Community Treatment (CSCT), is a school based mental health service that provides mental health services for SED youth using local school resources to match Medicaid dollars. CSCT is administered through the Acute Services Bureau of the Health Resources Division (HRD) working collaboratively with CMHB and the Office of Public Instruction.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	192,176	192,176	384,352	76.99%	23,592,437	23,592,437	47,184,874	77.22%
Statewide PL Adjustments	57,426	57,426	114,852	23.01%	57,426	57,426	114,852	0.19%
Other PL Adjustments	0	0	0	0.00%	4,813,949	7,580,458	12,394,407	20.28%
New Proposals	0	0	0	0.00%	468,005	945,371	1,413,376	2.31%
<b>Total Budget</b>	<b>\$249,602</b>	<b>\$249,602</b>	<b>\$499,204</b>		<b>\$28,931,817</b>	<b>\$32,175,692</b>	<b>\$61,107,509</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					57,426					57,426
<b>Total Statewide Present Law Adjustments</b>		<b>\$57,426</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,426</b>		<b>\$57,426</b>	<b>\$0</b>	<b>\$0</b>	<b>\$57,426</b>
DP 10203 - Med Ben Federal Only Caseload Dev Dis	0.00	0	0	4,813,949	4,813,949	0.00	0	0	7,580,458	7,580,458
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,813,949</b>	<b>\$4,813,949</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,580,458</b>	<b>\$7,580,458</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$57,426</b>	<b>\$0</b>	<b>\$4,813,949</b>	<b>\$4,871,375</b>	<b>0.00</b>	<b>\$57,426</b>	<b>\$0</b>	<b>\$7,580,458</b>	<b>\$7,637,884</b>

DP 10203 - Med Ben Federal Only Caseload Dev Dis - This present law adjustment for caseload growth covers the increase in the number of eligible people, utilization, acuity level, and cost per service for mental health care.

**LFD COMMENT** For a further discussion of the requested increase in Medicaid caseload costs, see the summary section of this division's narrative.

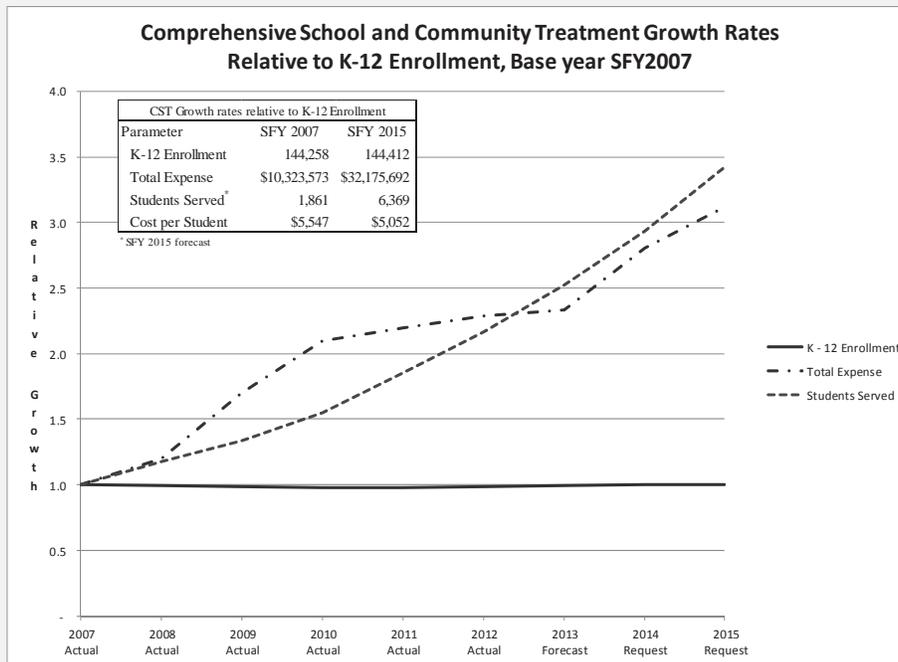
**New Proposals**

Sub Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 10905 - CMH 100% Federal Medicaid Provider Rate Increase	07	0.00	0	0	468,005	468,005	0.00	0	0	945,371	945,371
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$468,005</b>	<b>\$468,005</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$945,371</b>	<b>\$945,371</b>	

DP 10905 - CMH 100% Federal Medicaid Provider Rate Increase - This new proposal requests a 2% provider rate increase each year of the biennium for the Children's Mental Health 100% Federal Medicaid. The decision package is funded entirely with federal funds. For a further discussion, see the summary section of this agency's narrative.

**LFD COMMENT** From SFY 2007 to SFY 2012 spending on school based services has increased 2.3 times (annualized growth rate of 18%), while K-12 enrollment has remained flat. Request for funds for the 2015 biennium represents a 20% increase relative to the 2013 biennium. Increases in expenses are driven by two factors: 1) students served; and 2) cost per student. From SFY 2007 to SFY 2012 Students served has increased 2.2 times (annualized growth rate of 16.7%) while cost per student has increased by 1.06 times (annualized growth rate of 1.1%) during the same time period.

The figure below shows relative growth rates for the program enrollment, expenses, and K-12 enrollment. The number of schools participating in this program continues to grow. At the beginning of the previous biennium about 210 schools participated, while in the current biennium the number of schools participating is expected to grow to as many as 230.



**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	55.00	55.00	55.00	55.00	55.00	55.00	0.00	0.00%
Personal Services	2,679,990	3,317,996	3,300,874	3,301,113	5,997,986	6,601,987	604,001	10.07%
Operating Expenses	7,946,429	8,246,012	8,644,559	8,777,561	16,192,441	17,422,120	1,229,679	7.59%
Grants	0	0	0	0	0	0	0	n/a
Benefits & Claims	550,752,377	646,663,466	616,579,842	656,655,487	1,197,415,843	1,273,235,329	75,819,486	6.33%
<b>Total Costs</b>	<b>\$561,378,796</b>	<b>\$658,227,474</b>	<b>\$628,525,275</b>	<b>\$668,734,161</b>	<b>\$1,219,606,270</b>	<b>\$1,297,259,436</b>	<b>\$77,653,166</b>	<b>6.37%</b>
General Fund	109,441,719	127,348,230	128,566,340	137,489,937	236,789,949	266,056,277	29,266,328	12.36%
State Special	68,580,290	72,329,622	66,684,421	69,080,738	140,909,912	135,765,159	(5,144,753)	(3.65%)
Federal Special	383,356,787	458,549,622	433,274,514	462,163,486	841,906,409	895,438,000	53,531,591	6.36%
<b>Total Funds</b>	<b>\$561,378,796</b>	<b>\$658,227,474</b>	<b>\$628,525,275</b>	<b>\$668,734,161</b>	<b>\$1,219,606,270</b>	<b>\$1,297,259,436</b>	<b>\$77,653,166</b>	<b>6.37%</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 eligible for the Medicare Part D prescription drug program to 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

<b>Health Resources Division Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The HRD 2015 biennium budget is \$77.7 million greater than the 2013 biennium</li> <li>◆ The specific adjustments the legislature will consider total \$154.5 million because the changes are added to the FY 2012 base budget, which is significantly lower than FY 2013 appropriated level</li> <li>◆ The major adjustments the legislature will consider are: <ul style="list-style-type: none"> <li>• \$49.8 million in enrollment and per child cost increases for two components of Healthy Montana Kids that provide services to children from the highest income families</li> <li>• \$30.1 million in federal funds for pass through payments for Medicaid services provided by Indian Health Services and schools</li> <li>• \$25.0 million total including \$5.8 million general fund for Medicaid hospital and clinic services</li> <li>• \$16.1 million total funds, including \$2.5 million general fund for physician, mid-level practitioner, care management and other Medicaid services grouped in the managed care category</li> <li>• \$12.5 million for pharmacy services</li> <li>• Projected enrollment and per child cost increases in the Healthy Montana Kids program</li> <li>• \$15.1 million including \$4.6 million general fund for a 2% annual provider rate increase</li> </ul> </li> <li>◆ The 2015 biennium budget includes an increase of \$17.0 million general fund and a reduction of state special revenue due to fully expending one-time savings related to the enhanced federal Medicaid match authorized by the American Recovery and Reinvestment Act of 2009</li> <li>◆ Increases are partially offset by the removal of lawsuit settlement costs recorded as Medicaid service expenditures in the base budget</li> </ul>

### Major LFD Issues

- ◆ The Medicaid present law budget request does not include the cost impacts related to Medicaid eligibility changes and reductions to disproportionate share hospital (DSH) payments that are implemented by the Patient Protection and Affordable Care Act
- ◆ Although there is a projected ending fund balance of \$2.7 million in the state special revenue account that funds the Healthy Montana Kids (HMK) program it is insufficient to fund a 2% provider rate increase and it appears that the executive budget does not include a 2% rate increase for the HMK program
- ◆ It is not possible to determine whether the executive budget includes the statutorily required provider reimbursement increases for Medicaid funded physician services
- ◆ Due to the delayed receipt of documentation supporting the executive budget request, staff was unable to reconcile the projected Medicaid caseload estimate with the amounts included in the executive budget request
- ◆ The legislature may wish to review the most recent information for Medicaid services costs prior to taking action on present law adjustments for the following Medicaid services:
  - Hospital
  - Physician
  - Medicare buy in
  - Mid level practitioners
  - Pharmacy
  - Indian Health Services
- ◆ Base budget Medicaid services costs include \$7.5 million in payments to settle two lawsuits, including \$3.0 million general fund to settle the Southe Point office space development lawsuit

### Program Discussion

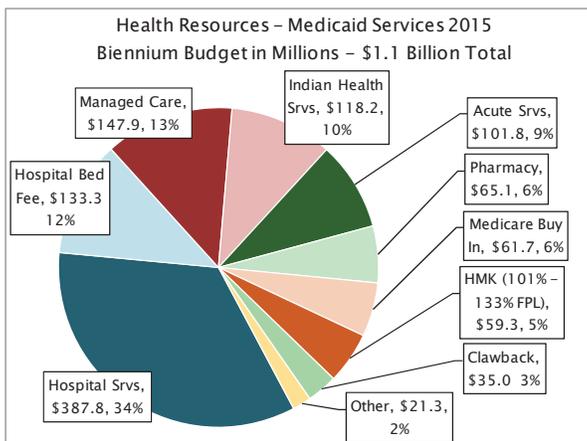
The 2015 biennium HRD budget grows \$77.7 million compared to the 2013 biennium due to:

- Projected increases in Medicaid enrollment and service utilization
- Higher enrollment and service utilization in HMK
- New proposals for a 2% annual provider rate increase and additional services for the HMK/Children's Health Insurance Program (CHIP) service package

The majority – 84% - of the HRD budget funds health services for persons enrolled in Medicaid (see Figure 1). There were about 105,000 persons eligible for Medicaid services in FY 2012. (See the appendix for a more detailed breakout of the HRD 2013 biennium budget compared to the 2015 biennium executive budget request.)

Figure 2 shows the FY 2015 Medicaid services request by major function, including one component of HMK (services for children in families with incomes from 101% of the federal poverty level (FPL) to 133% FPL). Hospital services are the largest expenditure with \$387.8 million or just over a third of the total. Combining the Medicaid reimbursement provided by the \$50 per day fee levied on each inpatient hospital bed that is used as state matching funds to draw down additional federal Medicaid match, total hospital reimbursement grows to \$521.1 million or just under one half of the total. (See the appendix for more detailed information showing the FY 2012 base budget for Medicaid services administered by HRD compared to the 2015 biennium budget request.)

Figure 2



The clawback is a 100% general fund payment to reimburse the federal government for savings to state Medicaid programs when Medicare Part D prescription drug coverage was implemented. Previously, Medicaid had paid the drug costs for dual eligibles. When Medicare assumed those costs, the federal government required states to repay a portion of the state Medicaid savings.

School based services are payments to schools that provide Medicaid eligible services to Medicaid eligible students. The payment is 100% federally funded since schools pay the state share of costs from state funds budgeted for schools. A second much larger component of school based services is funded in the Developmental Services Division and pays for children’s mental health Medicaid services provided by schools.

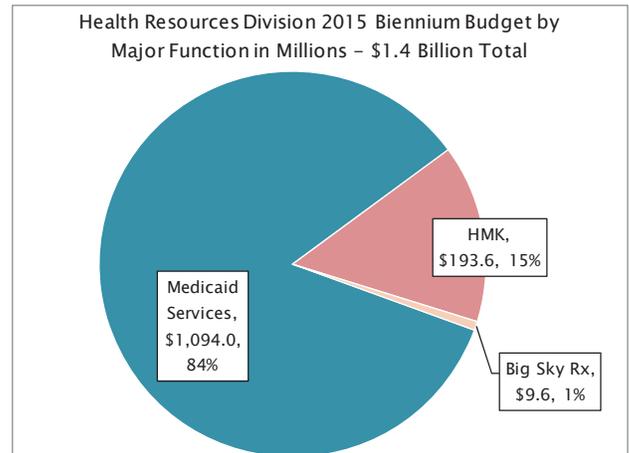
Breast and cervical cancer is an array of services provided to persons who are screened through the federally funded breast and cervical cancer program administered by the Public Health and Safety Division. Cancer treatment services and a limited array of other physical health services are provided. These services received an enhanced federal Medicaid match rate.

*Medicaid Services Budget Request Compared to Base Budget*

Figure 3 shows the base budget by Medicaid service compared to the executive budget request. Base budget expenditures total \$448.9 million compared to the executive request of:

- o \$549.4 million in FY 2014
- o \$585.6 million in FY 2015

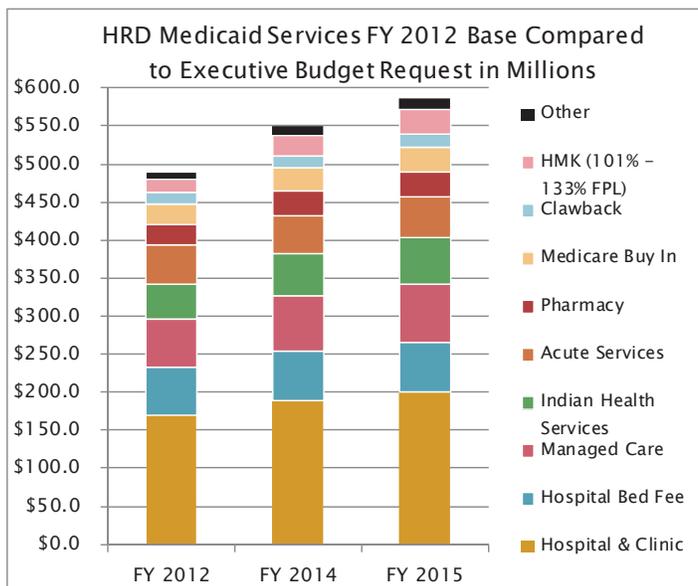
Figure 1



Managed care services – primarily physician services – is 13% or \$147.9 million and reimbursements to Indian Health Services providers is \$118.2 million. Acute services is \$101.8 million and includes services such as physical, occupational, and speech therapy, dental, private nursing, durable medical equipment, and transportation. Pharmacy is about 6% of the total and a portion of the cost - \$91.2 million - is offset by rebates from drug manufacturers as a condition of participation in the Medicaid program.

The Medicare buy-in pays for Medicare co-payments for individuals who are eligible for both Medicaid and Medicare. (dual eligibles). Medicare then becomes the primary payer, offsetting costs that would otherwise be borne by the Medicaid program.

Figure 3



The executive request adds \$118.6 million for anticipated enrollment and service utilization growth and \$14.0 million for a 2% annual provider rate increase. There is further discussion in the present law and new proposals section of this narrative.

## LFD ISSUE

### Effect of the Patient Protection and Affordable Care Act

As discussed in the agency narrative, if the Patient Protection and Affordable Care Act (ACA) is implemented without substantial amendment it will require several changes to state Medicaid programs that may materially impact current level, present law Medicaid costs, including:

- Requiring states to increase primary care physician rates to the Medicare rate
- Phasing out disproportionate share hospital (DSH) payments that help offset the cost of charity care
- Extending Medicaid eligibility to fostercare children to age 26
- Changing eligibility for nondisabled, nonpregnant persons 19 to 64 by:
  - Requiring eligibility to be based on consideration of modified adjusted gross income (MAGI) and eliminating consideration of assets
  - Requiring states to add a 5% income disregard

LFD staff requested information on the mandatory changes required by PACA including the estimate cost to the Montana Medicaid program for:

- The increase due to persons who are currently eligible but not enrolled in Medicaid
- The increase due to persons who will become eligible due to the 5% income disregard and discontinuation of consideration of assets
- The reduction in DSH payments
- The amount added to Medicaid costs for the increase in physician rates

The executive provided the estimate of the fiscal impact for LC0900, the bill to implement the optional Medicaid expansion in response to LFD questions. However, that estimate did not include estimates for:

- The cost of adults who would become eligible for Medicaid due to changes required by ACA
- The savings for some state funded programs due to the changes
- The phased-in reduction of DSH payments
- The physician rate increase

The legislature may wish to request that DPHHS provide its estimate and supporting documentation for the cost increases and savings that will occur in Medicaid as required by ACA prior to establishing the appropriation for Medicaid caseload adjustments.

**LFD ISSUE** \$9.1 Million of General Fund Appropriated for Medicaid Services Used for Other Purposes

In FY 2012, DPHHS used a significant amount of general fund originally appropriated for Medicaid services for other uses throughout the department. The issue and options for legislative consideration are discussed in the agency overview.

*Healthy Montana Kids*

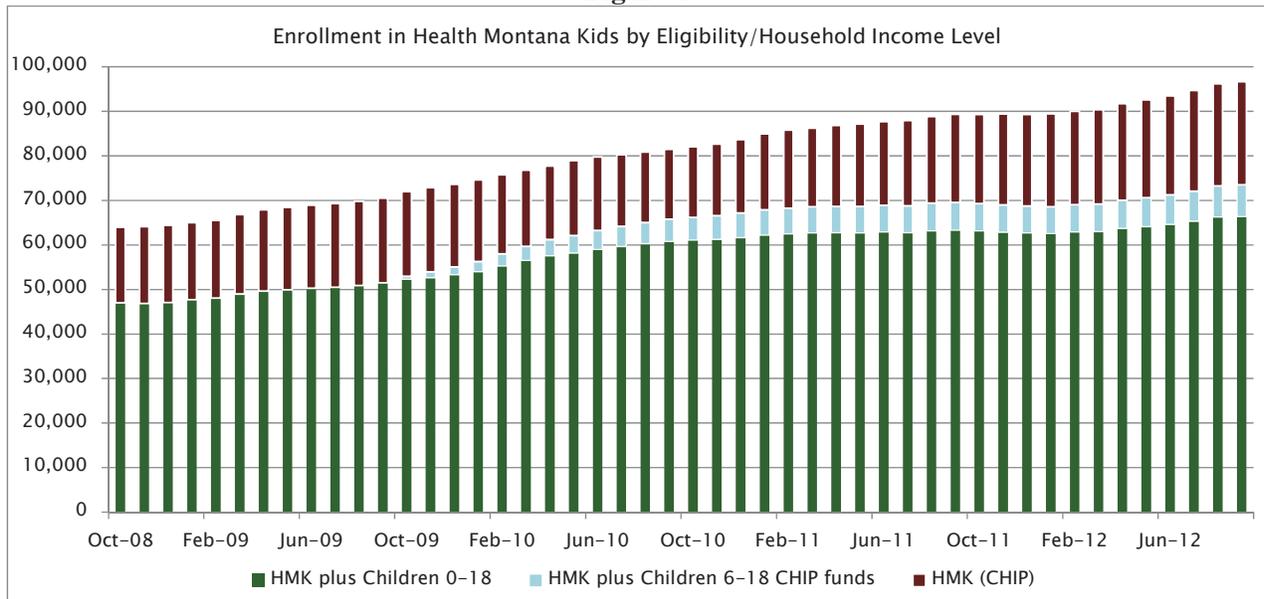
About 7% of the 2015 biennium budget request supports services funded from the federal CHIP grant for 30,000 of the 96,000 children enrolled in HMK.

HMK services and funding are tracked by major eligibility component. Figure 4 shows the 3 major groups for children in families by household income as a percentage of the federal poverty level (FPL):

- HMK Plus - under 100% FPL
- HMK Plus CHIP Funded Group - 101% to 133% FPL
- HMK CHIP – 134% to 250% FPL

Figure 4 shows total enrollment in HMK since it was enacted by voter initiative in November 2008. (A more detailed graph is included in the appendix.) The majority of enrollment (69%) is HMK Plus or children in families with the lowest household income. Issues related to the HMK budget are discussed in the following funding section and in conjunction with the executive budget request to expand present law appropriations.

**Figure 4**



**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Health Resources Division							
Funds	HB 2	Non-		Total All Sources	% Total All Funds	MCA Reference	Statutory Category
		Budgeted Proprietary	Statutory Appropriation				
General Fund	\$266,056,277	\$0	\$0	\$266,056,277	20.5%		
State Special Total	\$135,765,159	\$0	\$0	\$135,765,159	10.5%		
02053 Medicaid Nursing Home Match	\$123,019	\$0	\$0	\$123,019	0.0%		
02142 Medicaid Third Party Revenue	\$1,604,792	\$0	\$0	\$1,604,792	0.1%		
02164 Mt Univ System Grad Med Ed	\$636,188	\$0	\$0	\$636,188	0.0%		
02311 6901-02 Indret Activty Prog 11	\$63,734	\$0	\$0	\$63,734	0.0%		
02597 Montana Healthy Kids Initiative	\$40,421,204	\$0	\$0	\$40,421,204	3.1%		
02772 Tobacco Hlth & Mediced Initiative	\$32,291,953	\$0	\$0	\$32,291,953	2.5%		
02789 6901-chip/mcha Tobacco Sett Fd	\$7,606,161	\$0	\$0	\$7,606,161	0.6%		
02987 Tobacco Interest	\$8,010,132	\$0	\$0	\$8,010,132	0.6%		
02989 69010-hospital Utilization Fee	\$45,007,976	\$0	\$0	\$45,007,976	3.5%		
Federal Special Total	\$895,438,000	\$0	\$0	\$895,438,000	69.0%		
03426 Chip Program Fed	\$147,785,599	\$0	\$0	\$147,785,599	11.4%		
03580 6901-93.778 - Med Adm 50%	\$11,908,559	\$0	\$0	\$11,908,559	0.9%		
03582 93.778 - Med Ben 100%	\$118,182,732	\$0	\$0	\$118,182,732	9.1%		
03611 6901-03 Indret Activty Prog 11	\$573,656	\$0	\$0	\$573,656	0.0%		
Total All Funds	\$1,297,259,436	\$0	\$0	\$1,297,259,436	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

HRD is funded from general fund, state special revenue, and federal funds. Figure 5 shows each funding source and the program that it supports as well as the amount included in the 2015 biennium budget request. All but two state funding sources are used for state Medicaid matching funds, while five fund the state match for the federal CHIP grant, and Big Sky Rx is supported by a single funding source. Tobacco tax health and Medicaid initiatives state special revenue supports all three major programs.

**Figure 5**

Funding Sources Supporting HRD by Major Function and 2015 Biennial Amount in Millions					
Fund	Medicaid		Big Sky Rx	Biennial Amount	% of Total
	Services	CHIP			
General Fund	X	X		\$266.1	20.5%
State Special Revenue					
County Ambulance Funds	X			0.1	0.0%
Insurance Premium Tax - Montana Healthy Kids	X	X		40.4	3.1%
Hospital Utilization Fee	X			45.0	3.5%
MT University System Graduate Med Ed	X			0.6	0.0%
Third Party Reimbursement	X			1.6	0.1%
Tobacco Settlement Revenue		X		7.6	0.6%
Tobacco Settlement Trust Interest	X	X		8.0	0.6%
Tobacco Tax - Health and Medicaid Initiatives	X	X	X	32.3	2.5%
Overhead Costs Allocated Among Funding Sources	X	X	X	0.1	0.0%
Federal Special Revenue					
Medicaid Administrative Match	X			11.9	0.9%
Medicaid Entitlement Funds - Services Match	X			735.2	56.7%
CHIP Federal Grant	X	X		147.7	11.4%
Overhead Costs Allocated Among Funding Sources	X	X	X	0.6	0.0%
<b>Total</b>				<b>\$1,297.2</b>	<b>100.0%</b>

Compared to the base budget doubled, major general fund increases are:

- o State Medicaid match for services and administration - \$41.5 million
- o State match for the federal CHIP grant - \$5.0 million

Compared to the base budget doubled, major increases in state special revenue are:

- o Insurance premium tax used as state match for HMK, including the federal CHIP grant and federal Medicaid funds - \$8.6 million
- o Hospital utilization fees used as state Medicaid match - \$2.5 million
- o Tobacco settlement trust fund interest used as state Medicaid match for hospital services - \$2.3 million
- o Cost increases for Big Sky Rx premium assistance and program administration - \$1.1 million

**LFD  
ISSUE**

HMK State Special Revenue Excess Fund Balance

Figure 6 shows the fund balance for the insurance premium tax allocated to HMK for the 2013 biennium budget and the 2015 biennium executive budget request. There is additional revenue in the account that could be used to partially fund a 2% provider rate increase for HMK or to offset the general fund cost of Medicaid services for the HMK Plus (lowest income group) by up to \$2.7 million.

**Figure 6**

Healthy Montana Kids State Special Revenue Fund Balance 2011 Biennium Appropriations and 2013 Biennium Estimate					
Fund Balance	2013 Biennium		2015 Biennium Request		Biennial
Revenue/Expenditures	Base	FY 2013*	FY 2014	FY 2015	% Total
Beginning Fund Balance	\$16,778,785	\$9,146,661	\$480,416	\$1,557,922	4.0%
Revenue - Insurance License Tax**	<u>10,400,655</u>	<u>11,055,526</u>	<u>23,039,843</u>	<u>23,964,483</u>	92.9%
Total Revenue	27,179,440	20,202,187	23,520,259	25,522,405	96.9%
Estimated Interest Earnings	<u>543,589</u>	<u>20,202</u>	<u>282,243</u>	<u>1,276,120</u>	<u>3.1%</u>
Total Funds Available	\$27,723,029	\$20,222,389	\$23,802,502	\$26,798,525	100.0%
Expenditures**					
Medicaid Services (Under 100% FPL)	9,451,640	6,787,870	9,451,238	9,626,463	41.1%
HMK Benefits (101% - 250% FPL)	6,278,128	11,094,692	9,763,763	11,381,873	45.6%
Children's Mental Health	1,154,754	78,917	1,154,754	1,154,754	5.0%
HMK Direct Administration	81,107	89,218	98,986	98,881	0.4%
Indirect Administrative Costs	<u>1,610,739</u>	<u>1,691,276</u>	<u>1,775,840</u>	<u>1,864,632</u>	<u>7.9%</u>
Total Expenditures	<u>18,576,368</u>	<u>19,741,973</u>	<u>22,244,581</u>	<u>24,126,603</u>	<u>100%</u>
Ending Fund Balance	<u>\$9,146,661</u>	<u>\$480,416</u>	<u>\$1,557,922</u>	<u>\$2,671,922</u>	

\*FY 2013 amounts are the HB 2 appropriations with one adjustment. In FY 2012 HMK administrative staff was transferred from HRD to Human and Community Services Division, which lowered HMK direct administrative costs and increased indirect administrative costs.

\*\*Revenue based on LFD staff estimates presented to the Revenue and Transportation Interim Committee on November 19, 2012. Beginning in FY 2014, insurance premium tax proceeds allocated to the Healthy Montana Kids state special revenue account increases from 6.67% to 33.0%.

These issues and options for legislative consideration are discussed further in relationship to the executive request for increased present law spending for HMK and for the new proposal to raise provider rates.

Despite increases in most state revenue fund sources, a reduction of \$17.0 million in one-time funding from the Medicaid reserve account results in a net overall reduction in state special revenue. Medicaid reserve funds accrued from a small portion of the temporary increase in the federal Medicaid match rate authorized by the American Reinvestment and Recovery Act of 2009.

Compared to the base budget doubled federal funds increase due to:

- o Medicaid matching funds for increased enrollment, service utilization, and program administration and a higher federal match rate - \$87.5 million
- o CHIP federal grant funds - \$39.4 million

<b>LFD ISSUE</b>	<u>CHIP Funding Authorization</u>
The CHIP program is federally authorized through 2019. However, federal funding for the program is funded through 2015 only. The legislature may wish to ask DPHHS to discuss the implications of this dichotomy.	

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	109,441,719	109,441,719	218,883,438	82.27%	561,378,796	561,378,796	1,122,757,592	86.55%
Statewide PL Adjustments	271,568	270,075	541,643	0.20%	745,010	739,794	1,484,804	0.11%
Other PL Adjustments	16,879,396	24,183,212	41,062,608	15.43%	59,896,889	94,959,067	154,855,956	11.94%
New Proposals	1,973,657	3,594,931	5,568,588	2.09%	6,504,580	11,656,504	18,161,084	1.40%
<b>Total Budget</b>	<b>\$128,566,340</b>	<b>\$137,489,937</b>	<b>\$266,056,277</b>		<b>\$628,525,275</b>	<b>\$668,734,161</b>	<b>\$1,297,259,436</b>	

The majority of the executive budget request for HRD supports continuation of present law services. A new proposal to increase provider rates by 2% annually is just over 1% of the total. Present law adjustments fund increases in enrollment and service utilization for Medicaid services, HMK, and, to a lesser degree, Big Sky Rx account for the vast majority of the present law adjustments, which total 12% of the 2015 biennium request. General fund changes are driven by Medicaid enrollment and service utilization changes and the proposed provider rate increase.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				758,421					758,672	
Vacancy Savings				(137,537)					(137,549)	
Inflation/Deflation				102					243	
Fixed Costs				124,024					118,428	
<b>Total Statewide Present Law Adjustments</b>										
	<b>\$271,568</b>	<b>\$52,664</b>	<b>\$420,778</b>	<b>\$745,010</b>		<b>\$270,075</b>	<b>\$57,204</b>	<b>\$412,515</b>	<b>\$739,794</b>	
DP 11201 - Med Ben Core Caseload Physical Health	0.00	8,028,589	1,202,882	18,273,153	27,504,624	0.00	12,525,719	1,922,071	28,525,488	42,973,278
DP 11202 - Med Ben Other Caseload Medicare Buy-In	0.00	670,733	0	1,317,803	1,988,536	0.00	1,287,459	0	2,523,845	3,811,304
DP 11203 - Med Ben Federal Caseload Physical Health	0.00	0	0	11,978,152	11,978,152	0.00	0	0	18,115,282	18,115,282
DP 11204 - Med Ben Other Caseload Clawback	0.00	1,546,845	0	0	1,546,845	0.00	2,643,582	0	0	2,643,582
DP 11206 - Med Ben Other Caseload Hospital Utilization Fee	0.00	0	1,349,987	2,652,347	4,002,334	0.00	0	1,351,988	2,650,346	4,002,334
DP 11208 - HMK Medicaid CHIP Funded Caseload	0.00	0	2,022,077	6,535,170	8,557,247	0.00	0	3,624,219	11,706,657	15,330,876
DP 11209 - HMK Caseload	0.00	1,689,730	936,338	8,487,215	11,113,283	0.00	2,613,601	889,886	11,316,681	14,820,168
DP 11211 - Med Ben SSR Hold Harmless Adjustment	0.00	8,492,260	(8,492,260)	0	0	0.00	8,492,260	(8,492,260)	0	0
DP 11212 - Big Sky RX Caseload	0.00	0	539,180	0	539,180	0.00	0	539,180	0	539,180
DP 11221 - One-Time Settlement Costs	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)
DP 11401 - Med Ben Core FMAP Physical Health	0.00	663,642	(292)	(663,350)	0	0.00	843,538	(201)	(843,337)	0
DP 11402 - Med Ben Other FMAP Physical Health	0.00	277,600	(100,266)	(177,334)	0	0.00	267,056	(68,933)	(198,123)	0
DP 11403 - HMK Medicaid CHIP Funded FMAP	0.00	0	528,360	(528,360)	0	0.00	0	530,100	(530,100)	0
DP 11404 - HMK FMAP	0.00	0	(9,638)	9,638	0	0.00	0	(4,571)	4,571	0
DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust	0.00	0	0	107,872	107,872	0.00	0	0	164,247	164,247
DP 11602 - Med Admin CPI Contractual Inflationary Adjust	0.00	46,908	0	46,908	93,816	0.00	46,908	0	46,908	93,816
<b>Total Other Present Law Adjustments</b>										
	<b>0.00</b>	<b>\$16,879,396</b>	<b>(\$2,023,632)</b>	<b>\$45,041,125</b>	<b>\$59,896,889</b>	<b>0.00</b>	<b>\$24,183,212</b>	<b>\$291,479</b>	<b>\$70,484,376</b>	<b>\$94,959,067</b>
<b>Grand Total All Present Law Adjustments</b>										
	<b>0.00</b>	<b>\$17,150,964</b>	<b>(\$1,970,968)</b>	<b>\$45,461,903</b>	<b>\$60,641,899</b>	<b>0.00</b>	<b>\$24,453,287</b>	<b>\$348,683</b>	<b>\$70,896,891</b>	<b>\$95,698,861</b>

**New Proposals**

Program	-----Fiscal 2014-----					-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 11217 - Transportation for Deceased Clients (Requires Legislation)	11	0.00	53,933	0	0	53,933	0.00	53,933	0	0	53,933
DP 11218 - HMK Additional Services	11	0.00	356,117	0	1,126,469	1,482,586	0.00	382,356	0	1,189,184	1,571,540
DP 11901 - Provider Rate Increase - HMK Group	11	0.00	0	28,360	91,656	120,016	0.00	0	57,311	185,122	242,433
DP 11902 - Provider Rate Increase - Medicaid Core	11	0.00	1,563,607	0	3,086,642	4,650,249	0.00	3,158,642	0	6,230,405	9,389,047
DP 11903 - PRI-HMK Medicaid CHIP-Funded Group	11	0.00	0	46,739	151,057	197,796	0.00	0	94,454	305,097	399,551
<b>Total</b>	<b>0.00</b>	<b>\$1,973,657</b>	<b>\$75,099</b>	<b>\$4,455,824</b>	<b>\$6,504,580</b>	<b>\$6,504,580</b>	<b>0.00</b>	<b>\$3,594,931</b>	<b>\$151,765</b>	<b>\$7,909,808</b>	<b>\$11,656,504</b>

**Sub-Program Details**

**MEDICAID 01**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	45.00	0.00	0.00	45.00	0.00	0.00	45.00	45.00
Personal Services	2,216,718	551,511	0	2,768,229	552,534	0	2,769,252	5,537,481
Operating Expenses	6,062,186	295,448	0	6,357,634	347,715	0	6,409,901	12,767,535
Benefits & Claims	479,014,175	39,485,491	4,704,182	523,203,848	64,010,780	9,442,980	552,467,935	1,075,671,783
<b>Total Costs</b>	<b>\$487,293,079</b>	<b>\$40,332,450</b>	<b>\$4,704,182</b>	<b>\$532,329,711</b>	<b>\$64,911,029</b>	<b>\$9,442,980</b>	<b>\$561,647,088</b>	<b>\$1,093,976,799</b>
General Fund	106,982,702	15,459,809	1,617,540	124,060,051	21,838,295	3,212,575	132,033,572	256,093,623
State/Other Special	50,792,630	(6,037,252)	0	44,755,378	(5,284,652)	0	45,507,978	90,263,356
Federal Special	329,517,747	30,909,893	3,086,642	363,514,282	48,357,386	6,230,405	384,105,538	747,619,820
<b>Total Funds</b>	<b>\$487,293,079</b>	<b>\$40,332,450</b>	<b>\$4,704,182</b>	<b>\$532,329,711</b>	<b>\$64,911,029</b>	<b>\$9,442,980</b>	<b>\$561,647,088</b>	<b>\$1,093,976,799</b>

**Sub-Program Description**

The Medicaid program manages state plan Medicaid services, which are those that most closely resemble services provided in a private insurance plan. Examples of services administered by the Medicaid program are:

- o Hospital and clinic
- o Physician
- o Pharmacy
- o Occupational, speech, and physical therapy
- o Transportation

The program also provides federal reimbursement to Indian Health Services (I.H.S.) and schools for Medicaid services provided to Medicaid eligible enrollees. An average of 104,976 Montanans were eligible for Medicaid in FY 2012.

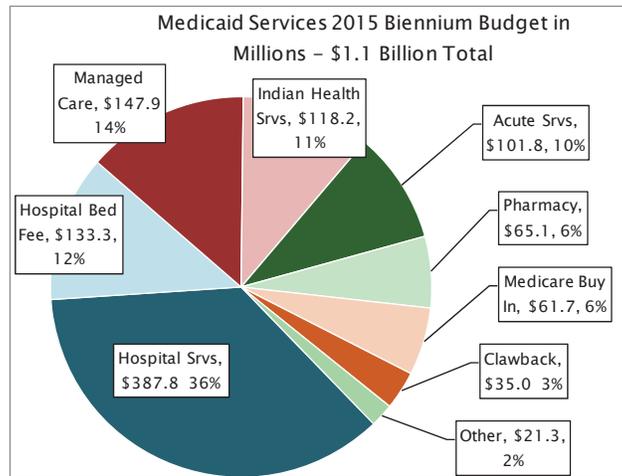
**Sub-Program Overview**

The Medicaid Services sub-program 2015 biennium budget request increases \$119.4 million over the FY 2012 base budget (doubled) due to:

- o \$88.5 million total funds (\$26.7 million general fund) for higher enrollment and increased service utilization
- o \$30.1 million in federal Medicaid funds for increases in Indian Health Services (I.H.S.) and school based services
- o \$12.5 million (\$4.8 million general fund) for a 2% annual provider rate increase
- o A reduction of \$15.1 million total funds (\$9.1 million general fund) due to removal of lawsuit settlement costs recorded as Medicaid services expenditures in the FY 2012 base budget

Figure 7 shows the services funded in the Medicaid services function. Hospital and clinic services are the largest with component. (See the appendix for a table showing the FY 2012 base budget compared to the executive request for each Medicaid service.

**Figure 7**



**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	106,982,702	106,982,702	213,965,404	83.55%	487,293,079	487,293,079	974,586,158	89.09%
Statewide PL Adjustments	270,143	268,684	538,827	0.21%	645,271	642,186	1,287,457	0.12%
Other PL Adjustments	15,189,666	21,569,611	36,759,277	14.35%	39,687,179	64,268,843	103,956,022	9.50%
New Proposals	1,617,540	3,212,575	4,830,115	1.89%	4,704,182	9,442,980	14,147,162	1.29%
<b>Total Budget</b>	<b>\$124,060,051</b>	<b>\$132,033,572</b>	<b>\$256,093,623</b>		<b>\$532,329,711</b>	<b>\$561,647,088</b>	<b>\$1,093,976,799</b>	

The majority of the Medicaid services request supports continuation of present law services. A single new proposal supports a 2% annual provider rate increase. Adjustments for anticipated enrollment and service utilization increases are about 10% of the total.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					666,854					667,923
Vacancy Savings					(115,343)					(115,389)
Inflation/Deflation					72					186
Fixed Costs					93,688					89,466
<b>Total Statewide Present Law Adjustments</b>		<b>\$270,143</b>	<b>\$2,697</b>	<b>\$372,431</b>	<b>\$645,271</b>		<b>\$268,684</b>	<b>\$2,683</b>	<b>\$370,819</b>	<b>\$642,186</b>
DP 11201 - Med Ben Core CLoad Physical Health	0.00	8,028,589	1,202,882	18,273,153	27,504,624	0.00	12,525,719	1,922,071	28,525,488	42,973,278
DP 11202 - Med Ben Other CLoad Medicare Buy-In	0.00	670,733	0	1,317,803	1,988,536	0.00	1,287,459	0	2,523,845	3,811,304
DP 11203 - Med Ben Federal CLoad Physical Health	0.00	0	0	11,978,152	11,978,152	0.00	0	0	18,115,282	18,115,282
DP 11204 - Med Ben Other CLoad Clawback	0.00	1,546,845	0	0	1,546,845	0.00	2,643,582	0	0	2,643,582
DP 11206 - Med Ben Other CLoad Hospital Utilization Fee	0.00	0	1,349,987	2,652,347	4,002,334	0.00	0	1,351,988	2,650,346	4,002,334
DP 11211 - Med Ben SSR Hold Harmless Adjustment	0.00	8,492,260	(8,492,260)	0	0	0.00	8,492,260	(8,492,260)	0	0
DP 11221 - One-Time Settlement Costs	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)	0.00	(4,536,911)	0	(2,998,089)	(7,535,000)
DP 11401 - Med Ben Core FMAP Physical Health	0.00	663,642	(292)	(663,350)	0	0.00	843,538	(201)	(843,337)	0
DP 11402 - Med Ben Other FMAP Physical Health	0.00	277,600	(100,266)	(177,334)	0	0.00	267,056	(68,933)	(198,123)	0
DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust	0.00	0	0	107,872	107,872	0.00	0	0	164,247	164,247
DP 11602 - Med Admin CPI Contractual Inflationary Adjust	0.00	46,908	0	46,908	93,816	0.00	46,908	0	46,908	93,816
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$15,189,666</b>	<b>(\$6,039,949)</b>	<b>\$30,537,462</b>	<b>\$39,687,179</b>	<b>0.00</b>	<b>\$21,569,611</b>	<b>(\$5,287,335)</b>	<b>\$47,986,567</b>	<b>\$64,268,843</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$15,459,809</b>	<b>(\$6,037,252)</b>	<b>\$30,909,893</b>	<b>\$40,332,450</b>	<b>0.00</b>	<b>\$21,838,295</b>	<b>(\$5,284,652)</b>	<b>\$48,357,386</b>	<b>\$64,911,029</b>

The statewide adjustment for personal services increases due to fully funding the cost of positions that were vacant during FY 2012 and to cover the cost of pay increases granted by DPHHS in late FY 2012. The issue of pay increases is discussed in greater detail in the agency overview.

**LFD  
COMMENT**

The executive budget includes \$118.6 million (\$26.7 million general fund) for caseload increases compared to a base budget total of \$471.5 million. The FY 2014 caseload adjustment is about a 10% increase compared to the base budget and the FY 2015 request represents about a 15% increase. Figure 8 shows each present law adjustment requested for Medicaid enrollment and service utilization increases for services administered by HRD, including two other adjustments that materially affect the total request and state funding required.

**Figure 8**

Health Resources Medicaid Services Enrollment and Service Utilization Changes, Funding Shift, and Removal of Settlement Costs										
Adjustment Requested/Service	FY 2012 Base	FY 2014 Executive Budget Request Incremental Increase Over FY 2012 Base				FY 2015 Executive Budget Request Incremental Increase Over FY 2012 Base				% of Biennial Incr.
		General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total	
<b>11201 - Med Ben Core Caseload Physical Health</b>										
Hospital and Clinic Services*	\$169,817,810	\$3,409,198	\$1,202,882	\$9,061,445	\$13,673,525	\$5,126,938	\$1,746,846	\$13,474,897	\$20,348,681	28.7%
Managed Care Services*	62,879,486	2,948,511	0	5,775,638	8,724,149	4,352,691	175,225	8,849,937	13,377,853	18.6%
Pharmacy Services	26,317,459	1,837,136	0	3,609,457	5,446,593	2,379,314	0	4,664,246	7,043,560	10.5%
Breast and Cervical Cancer	4,529,505	120,947	0	390,887	511,834	180,586	0	583,315	763,901	1.1%
Acute Services	<u>50,623,473</u>	<u>(287,203)</u>	<u>0</u>	<u>(564,274)</u>	<u>(851,477)</u>	<u>486,190</u>	<u>0</u>	<u>953,093</u>	<u>1,439,283</u>	<u>0.5%</u>
Subtotal Base and DP 11201	314,167,733	8,028,589	1,202,882	18,273,153	27,504,624	12,525,719	1,922,071	28,525,488	42,973,278	59.4%
<b>11202 - Med Ben Other Caseload Medicare Buy In</b>										
Medicare Buy In	27,934,866	670,733	0	1,317,803	1,988,536	1,287,459	0	2,523,845	3,811,304	4.9%
<b>11203 - Med Ben Federal Caseload Physical Health</b>										
Indian Health Services	47,604,511	0	0	8,950,022	8,950,022	0	0	14,023,688	14,023,688	19.4%
School Based Services	<u>3,706,327</u>	<u>0</u>	<u>0</u>	<u>3,028,130</u>	<u>3,028,130</u>	<u>0</u>	<u>0</u>	<u>4,091,594</u>	<u>4,091,594</u>	<u>6.0%</u>
Subtotal Base and DP 11203	51,310,838	0	0	11,978,152	11,978,152	0	0	18,115,282	18,115,282	25.4%
<b>11204 - Med Ben Other Caseload Clawback</b>										
Clawback	15,399,465	1,546,845	0	0	1,546,845	2,643,582	0	0	2,643,582	3.5%
<b>11206 - Med Ben Other Caseload Hospital Utilization Fee</b>										
Hospital Utilization Fee	<u>62,666,273</u>	<u>0</u>	<u>1,349,987</u>	<u>2,652,347</u>	<u>4,002,334</u>	<u>0</u>	<u>1,351,988</u>	<u>2,650,346</u>	<u>4,002,334</u>	<u>6.8%</u>
Subtotal Base and Caseload Increase	471,479,175	10,246,167	2,552,869	34,221,455	47,020,491	16,456,760	3,274,059	51,814,961	71,545,780	100%
<b>11211 - Med Ben SSR Hold Harmless Adjustments</b>										
Pharmacy		8,492,260	(8,492,260)	0	0	8,492,260	(8,492,260)	0	0	
<b>11221 - One-Time Settlement Costs</b>										
Managed Care Services		(3,000,000)	0	0	(3,000,000)	(3,000,000)	0	0	(3,000,000)	
Hospital and Clinic Services		<u>(1,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(4,535,000)</u>	<u>(1,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(4,535,000)</u>	
Subtotal DP 11221		<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	<u>(4,536,911)</u>	<u>0</u>	<u>(2,998,089)</u>	<u>(7,535,000)</u>	
Net Change with Settlement Costs		<u>14,201,516</u>	<u>(5,939,391)</u>	<u>31,223,366</u>	<u>39,485,491</u>	<u>20,412,109</u>	<u>(5,218,201)</u>	<u>48,816,872</u>	<u>64,010,780</u>	
Net Biennial Change						<u>\$34,613,625</u>	<u>(\$11,157,592)</u>	<u>\$80,040,238</u>	<u>\$103,496,271</u>	

\*One-time settlement costs were removed from the base budget expenditures.

The majority of the caseload increase supports hospital and clinic services – 24%. The next largest increase supports services that are fully funded from federal funds payments for Medicaid services provided by Indian Health Services and schools – 21% of the total increase requested.

There are two other significant adjustments that affect the total caseload change and general fund cost. The first – DP 11211 – removes one-time state special revenue funds and replaces it with general fund - \$17.0 million over the biennium. This change was expected by the 2011 Legislature since the state special revenue funds accrued due to the temporary increase of the federal Medicaid match rate authorized by the American Recovery and Reinvestment Act of 2009. States were allowed to keep a portion of the increase, which the 2011 Legislature used to offset general fund in the 2013 biennium.

The second adjustment removes \$7.5 million in lawsuit settlement costs that were recorded as Medicaid services payments in the base budget. The total impact of this reduction offsets the increase by \$15.1 million. Please note that the FY 2012 base costs in Figure 8 do not include the settlement costs enabling an accurate comparison to present law adjustments.

There are specific comments about each present law adjustment related to Medicaid caseload estimates included in the discussion for the each decision package.

DP 11201 - Med Ben Core Caseload Physical Health - This present law adjustment adds funds for the increase in the number of eligible people, service utilization, acuity levels, and cost per service for medical care.

**LFD  
ISSUE**

Reconciliation of Executive Medicaid Estimates to Budget Request, Hospital Costs, and Updated FY 2012 Estimates

*Reconciliation*

LFD staff requested the estimates for Medicaid services costs that were used to develop the executive budget. The information was not provided in time to be fully evaluated and included in the budget analysis. For instance, LFD staff was unable to reconcile the Medicaid projections with the current level costs included in the executive budget. LFD staff was unable to determine whether there were errors in the LFD allocation methodology or whether the executive budget request was different than the Medicaid cost documentation.

Figure 9 shows several examples of the differences. In two instances, the executive budget is very close to the allocation of individual services costs to the combined service group budget. In other instances, the differences exceed \$3.4 million annually. In each case the executive budget is lower than the Medicaid estimate. LFD staff will work with DPHHS staff to resolve this issue and present findings to the legislature.

**Figure 9**

Documentation Supporting Present Law Medicaid Estimate Compared to Executive Budget Request for Selected Medicaid Services						
Services	FY 2014			FY 2015		
	Medicaid Estimate	Executive Budget	Difference	Medicaid Estimate	Executive Budget	Difference
Hospital and Clinic	\$183,781,157	\$183,491,335	\$289,822	\$190,505,656	\$190,166,491	\$339,165
Managed Care	71,718,166	71,603,635	114,531	76,374,773	76,257,339	117,434
Acute Care	53,178,449	49,771,996	3,406,453	55,674,829	52,062,756	3,612,073
Pharmacy	<u>31,764,052</u>	<u>33,438,953</u>	<u>1,674,901</u>	<u>35,732,664</u>	<u>33,631,019</u>	<u>2,101,645</u>
Total	<u>\$340,441,824</u>	<u>\$338,305,919</u>	<u>\$5,485,707</u>	<u>\$358,287,921</u>	<u>\$352,117,605</u>	<u>\$6,170,316</u>
Executive Budget Different from Estimate			1.6%			1.8%

*Elements of DP 11201*

Figure 10 shows each of the adjustments included in DP 11201 by group of Medicaid services. Adjustments to hospital and clinic services are nearly half of the total increase in FY 2015. Managed care services – primarily physician services – are the second largest with nearly a third of the total.

**Figure 10**

Components of DP 11201 Medicaid Caseload Increase Compared to Base Budget										
Service Group	FY 2012 Base Budget	FY 2014 Executive Budget				FY 2015 Executive Budget				% of Total
		General Fund	State Special	Federal Funds	Total	General Fund	State Special	Federal Funds	Total	
Hospital and Clinic	\$169,817,810	\$3,409,198	\$1,202,882	\$9,061,445	\$13,673,525	\$5,126,938	\$1,746,846	\$13,474,897	\$20,348,681	47.4%
Managed Care	62,879,486	2,948,511	0	5,775,638	8,724,149	4,352,691	175,225	8,849,937	13,377,853	31.1%
Pharmacy	26,317,459	1,837,136	0	3,609,457	5,446,593	2,379,314	0	4,664,246	7,043,560	16.4%
Acute Care	50,623,473	(287,203)	0	(564,274)	(851,477)	486,190	0	953,093	1,439,283	3.3%
Breast & Cervical Cancer	<u>4,529,505</u>	<u>120,947</u>	<u>0</u>	<u>390,887</u>	<u>511,834</u>	<u>180,586</u>	<u>0</u>	<u>583,315</u>	<u>763,901</u>	<u>1.8%</u>
Total	\$314,167,733	\$8,028,589	\$1,202,882	\$18,273,153	\$27,504,624	\$12,525,719	\$1,922,071	\$28,525,488	\$42,973,278	100%
Percent Increase Over Base					8.8%					13.7%

*Hospital and Clinic Costs*

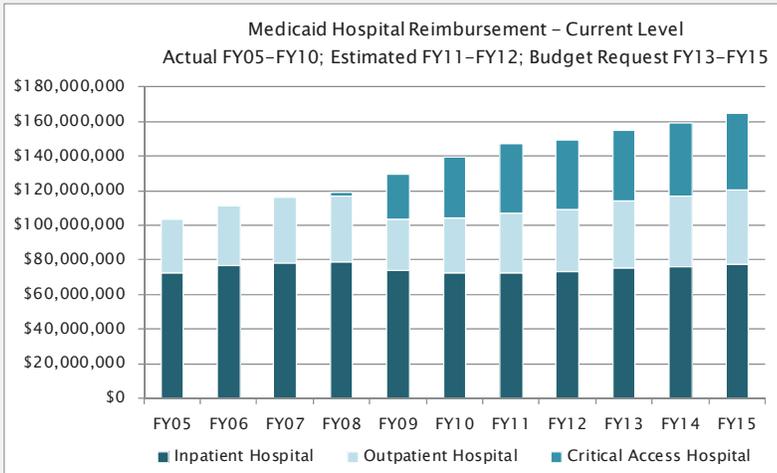
The types of services included in hospital and clinic services group are:

- Inpatient and outpatient hospital services
- Critical access hospitals
- Federally qualified health centers
- Ambulatory surgical centers
- Rural health clinics

**LFD  
ISSUE  
CONT.**

The majority of costs, however, are those associated with hospital services. Figure 11 shows actual and projected costs for the three largest categories of hospital and clinic services. FY 2005 through FY 2010 are actual costs. FY 2011 and FY 2010 are projected costs and FY 2013 to FY 2015 are the estimates used to develop the executive budget.

**Figure 11**



As discussed later in conjunction with DP 11206 that adjusts the appropriation for the hospital utilization fee, the total number of hospital days of care is declining. The largest three categories of hospital services total \$149.5 million of the \$169.8 million base budget for hospital and clinic Medicaid services. The cost of these services is expected to increase by \$15.1 million from the base budget through FY 2015. The costs in FY 2010 and FY 2011 include a one-time 2% provider rate increase that was not continued. However, even taking into account the temporary rate increase, hospital costs appear to be moderating.

As noted previously, the LFD staff requested the documentation supporting the executive budget Medicaid request. LFD staff received an estimate for FY 2013 through FY 2015. Based on that data, the executive budget assumes the following annual increases in hospital costs from its estimate of FY 2013 costs:

- Inpatient care - 1%
- Outpatient care – 6.3%
- Critical access hospitals – 4.2%

The LFD did not receive an updated estimate for Medicaid costs for FY 2012 from DPHHS. The FY 2012 data is particularly important since FY 2012 payments are much more nearly complete while the paid claims incurred in FY 2013 as of November 2012 will be a fraction of the FY 2013 final cost.

The legislature will consider updated Medicaid estimates in February. Prior to taking action on this request the legislature may wish to request and review the following information:

- The most recent estimates for FY 2011, FY 2012, and FY 2013
- Changes in DPHHS assumptions for FY 2014 and FY 2015 costs based on more complete data

LFD  
ISSUE CONT.

*Managed Care Services*

DP 11201 includes \$22.1 million over the biennium for increased managed care services. Base budget expenditures for this group were \$62.9 million. This increase represents a 6.5% annual growth from FY 2013 estimated costs. Major categories of services included in the managed care grouping are:

- Physicians
- Psychiatrists and psychologists
- Podiatrists
- Laboratory
- Health Improvement Program (disease management program)
- PASSPORT to Health (reimbursements to primary care doctors who provide care management)
- Mid-level practitioners (for example, nurse practitioners, nurse midwives, nurse anesthetists, clinical nurse specialists and physician assistants)
- Public health clinic

*Areas of Significant Increase*

Physician costs are \$61.0 million or 80% of the FY 2015 total for the managed care services group. Changes in this service have a proportionally higher impact on total cost than other services. For instance, mid-level practitioner services are the next highest with 13% of the FY 2015 budget and none of the remaining services account for more than 4% of the total.

Physician services increase for several reasons. 53-6-125, MCA requires physician rates to be increased, at a minimum, by the same percentage increase as the consumer price index for medical care for the previous year, as calculated by the Bureau of Labor Statistics of the United States Department of Labor. As noted previously, effective January 1, 2014, ACA requires states to increase Medicaid rates for primary care physicians to the Medicare rate.

LFD staff requested information about the specific adjustments that DPHHS made to comply with state and federal law, but did not receive a definitive answer other than the growth rates included both adjustments. The legislature may wish to ask DPHHS to provide the specific adjustments that were made.

The executive budget grows mid-level practitioner service costs by 9.3% per year compared to estimated FY 2013 costs. LFD staff has requested information about issues that are driving costs in that service category.

As noted with hospital costs, the LFD did not receive an updated FY 2012 cost projection as part of the executive budget documentation. The legislature may wish to request and review the most recent cost data for mid-level practitioners prior to acting on Medicaid caseload costs.

*Acute Care Services*

As shown in Figure 9, the LFD staff was unable to reconcile differences between the executive Medicaid caseload and the executive budget. LFD staff has requested additional information from DPHHS to help explain the difference between the budget and the estimate. LFD staff will provide an update to the legislature when it considers the Medicaid services appropriation.

*One-Time Appropriations*

Present law caseload requests include funding adjustments to “backfill” one-time appropriations. Figure 12 shows two one-time appropriations that supported costs in the base budget. Neither of these was broken out from the present law caseload adjustment for legislative approval.

**Figure 12**

One-Time Appropriations Included in Base Expenditures	
Budget Item	Biennial Funding
Indian Property Exclusion	\$528,580
Reestablish Hospital Base	<u>614,536</u>
<b>Total</b>	<b>\$1,143,116</b>

**LFD ISSUE** Potentially Illegal Use of Tobacco Settlement Trust Fund Interest

The executive budget funded caseload adjustment increases in DP 11201 - Med Ben Core Caseload Physical Health with tobacco settlement trust fund interest - \$ 2,313,540 over the biennium. The trust fund is established in the Montana Constitution and includes the following restriction on its use:

“Appropriations of the interest, income, or principal from the trust fund shall be used only for tobacco disease prevention programs and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana and may not be used for other purposes. Appropriations of the interest, income, or principal from the trust fund shall not be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of the people of Montana.”

Legislative appropriations of tobacco settlement interest have been used to expand services, including Medicaid provider rates. The interpretation of the constitutional language has been considered to prevent its use to supplant general fund used to pay for ongoing, normal cost increases in state programs including Medicaid services. The legislature may wish to find another source to support caseload increases for Medicaid services. If the legislature approves the 2% annual provider rate increase requested in the executive budget it could use the tobacco settlement interest for that purpose.

DP 11202 - Med Ben Other Caseload Medicare Buy-In - This present law adjustment would fund estimated increases in premiums for Medicare Part A and Part B. Medicare buy-in allows state Medicaid programs to purchase Medicare coverage through premium payments for persons eligible for both Medicare and Medicaid (dual eligible). Medicare then covers the cost of most services for the individual. Medicaid is only liable for the costs of services not covered by Medicare and for some co-insurance and deductibles related to services utilized. The program is mandated by federal law (Title XVIII of the Social Security Act).

**LFD ISSUE** Base Level Enrollment and Premium Increase

The executive budget is based on Medicare buy in enrollment that is higher than actual enrollment. Figure 13 shows monthly enrollment for Part B buy in compared to actual enrollment.

Applying the executive budget assumptions to the actual enrollment levels would reduce the 2015 biennium budget request by \$1.8 million general fund (see Figure 14). The legislature may wish to review the most current enrollment levels in the Medicare buy in when it considers updates to Medicaid caseload estimates in February to determine whether enrollment assumptions should be changed.

**Figure 14**

Medicare Buy In - Executive Budget Request Compared to Estimates Based on Newer Enrollment Data		
Funding	FY 2014	FY 2015
Executive Budget Request	\$29,923,402	\$31,746,170
Newer Enrollment Data	27,353,337	28,881,890
Budget Over (Under) Newer Data	<u>2,570,065</u>	<u>2,864,280</u>
General Fund Match	<u>866,883</u>	<u>967,554</u>
Biennial Difference		\$1,834,437

**Figure 13**

Month	Actual Enrollment	Projected Enrollment
Jul-12	19,350	19,750
Aug-12	19,450	19,850
Sep-12	19,500	19,950
Oct-12	19,550	20,050
Nov-12	19,850	20,150
Dec-12	19,950	20,150

**LFD  
ISSUE CONT.**

The executive budget assumes the following rates of increase for Medicare premiums:

- Part A – 3.1%
- Part B – 4.9%

Premium increases over the last four years have been about 2.1% for Part B and negative for Part A. It is doubtful that Part A premiums will continue to decline. However, Part B premium increases may be less than projected by the executive. The legislature may wish to review expected premium increases during its review of February Medicaid caseload projections.

DP 11203 - Med Ben Federal Caseload Physical Health - This present law adjustment adds funds for increased enrollment and service utilization as well as federal rate increases in the Medicaid Indian Health Service (I.H.S.) program and the school based programs. The majority of the increase is for I.H.S. adding \$23.0 million over the biennium to base level expenditures of \$47.6 million. The balance - \$7.1 million over the biennium – is for school based services with a base expenditure amount of \$5.6 million. The request is funded from federal Medicaid funds.

**LFD  
ISSUE**

Base Level FY 2012 Indian Health Services Significantly Less than FY 2011 Expenditures

Medicaid services costs are not final until almost a year after the close of a fiscal year due to billing delays, eligibility changes, and resolution of disputed or rejected claims. However, at fiscal year end most Medicaid service costs are 95% to 98% complete. As of December 2012, I.H.S. paid claims totaled \$26.0 million, which is about \$12.3 million less than paid in FY 2011, and \$30.6 million lower than the FY 2014 request and \$35.0 million lower than the FY 2015 request.

Legislative staff requested information about the decline in I.H.S. Medicaid reimbursements. DPHHS did not provide information in time to be reviewed and included in the budget analysis. The legislature may wish to review I.H.S. payment information prior to establishing the appropriation for this Medicaid service.

DP 11204 - Med Ben Other Caseload Clawback - This present law adjustment adds general fund for the clawback payment that state Medicaid programs owe to the federal government for savings due to implementation of the Medicare Part D prescription drug program. Some persons are eligible for both Medicaid and Medicare (dual eligible). Prior to passage of the Medicare Modernization Act (MMA) state Medicaid programs paid the drug costs for dual eligibles. Since Medicare assumed those costs, states are required to pay back to the federal government a phased down contribution, known as clawback. The variables governing calculation of the clawback amount are adjusted each year by the federal Centers for Medicare and Medicaid (CMS).

DP 11206 - Med Ben Other Caseload Hospital Utilization Fee - This request adds funds for the hospital utilization fee, which is assessed for every inpatient hospital day. The fee is used to match federal Medicaid funds and then redistributed to hospitals as Medicaid reimbursements. The regular Medicaid rate covers about 65% to 68% of the cost of hospital care. Adding the amount from the hospital utilization fees raises Medicaid reimbursement to about 95% of 98% of the cost of hospital care.

The Montana Medicaid program has historically reimbursed the Montana hospitals at a rate less than the cost of providing hospital services to Medicaid clients. Federal regulations require hospitals to provide services to all citizens without regard to ability to pay, and require the hospitals to have a methodology in place to provide charity care to patients who do not have the ability to pay for the hospital services.

The hospital utilization fee and the corresponding federal funding is distributed using disproportionate share payments and hospital reimbursement adjustment payments to allocate the payments to hospitals based on Medicaid inpatient days and Medicaid inpatient/outpatient charges.

**LFD  
ISSUE**Hospital Days of Care Declining

Recently the number of hospital days of care subject to the hospital utilization fee have declined:

- 443,554 in 2010
- 436,381 in 2011
- 424,752 in 2012

The executive budget is based on continuing the level of days of care in 2012 in each year of the 2015 biennium. The legislature may wish to review the most current information on reported days of care prior to establishing the 2015 biennium appropriations.

DP 11211 - Med Ben SSR Hold Harmless Adjustment - This present law adds about \$17.0 million in general fund over the biennium and reduces state special revenue by a like amount. The state special revenue was a one-time funding source from a portion of the savings due to the temporary increase in the federal Medicaid match rate authorized by the American Reinvestment and Recovery Act of 2009. States were allowed to set aside savings of a small portion of the enhanced federal Medicaid match (the hold harmless component). The legislature appropriated the funds as a one-time source of state Medicaid matching funds.

DP 11221 - One-Time Settlement Costs - This present law adjustment reduces expenditures that were paid as Medicaid services in FY 2012 for one-time settlement costs for law suits. State Medicaid funds were used to settle two lawsuits:

- Blanton lawsuit, which changed the way Medicaid recovers costs from estates of persons who received Medicaid services
- South Pointe lawsuit, where developers sued the state for improperly terminating a lease for a proposed new office

**LFD  
COMMENT**

As discussed in the agency overview, DPHHS transferred \$9.1 million general fund appropriated for Medicaid services to other programs to pay costs unrelated to Medicaid. This issue and legislative options are discussed in the agency overview.

DP 11401 - Med Ben Core FMAP Physical Health - This present law request adjusts federal Medicaid funds and general fund due to the increase in the federal Medicaid match rate. The state Medicaid match rate will decline from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015. This request adjusts funding for hospital and clinic services, managed care, breast and cervical cancer, pharmacy, and acute care services.

**LFD  
COMMENT**

As discussed in the agency overview, the state match budgeted for Medicaid services funding does not appear to be consistent with executive assumptions used to develop the budget request. The legislature may wish to direct staff to adjust funding to be consistent with assumed state match rates.

DP 11402 - Med Ben Other FMAP Physical Health - request adjusts federal Medicaid funds and general fund due to the increase in the federal Medicaid match rate. The state Medicaid match rate will decrease from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015. This request adjusts funding for managed care, pharmacy, hospital utilization fee, and Medicare buy in benefits.

DP 11601 - Med Admin MAC/MAM Contractual Inflationary Adjust - The request would add federal Medicaid authority for administrative matching funds to match allowable Medicaid costs incurred by schools and tribal nations.

DP 11602 - Med Admin CPI Contractual Inflationary Adjust - This present law adjustment is for \$187,632 total funds for the biennium. This present law adjustment is made to maintain existing levels of services for the Medicaid program in the Health Resources Division. The request adjusts the base year expenses from the FY 2012 level. The adjustment is necessary to provide current Medicaid contracts services. This service is funded with 50% general fund and 50% federal funds.

**New Proposals**

Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11217 - Transportation for Deceased Clients (Requires Legislation)										
01	0.00	53,933	0	0	53,933	0.00	53,933	0	0	53,933
DP 11902 - Provider Rate Increase - Medicaid Core										
01	0.00	1,563,607	0	3,086,642	4,650,249	0.00	3,158,642	0	6,230,405	9,389,047
<b>Total</b>	<b>0.00</b>	<b>\$1,617,540</b>	<b>\$0</b>	<b>\$3,086,642</b>	<b>\$4,704,182</b>	<b>0.00</b>	<b>\$3,212,575</b>	<b>\$0</b>	<b>\$6,230,405</b>	<b>\$9,442,980</b>

DP 11217 - Transportation for Deceased Clients (Requires Legislation) - This proposal would add general fund to cover the costs of returning the remains of Medicaid/Health Montana Kids clients to their home communities. Periodically, clients are referred for out of area medical services, but expire before returning to their home communities. This new proposal is contingent on passage of legislation (LC 0312).

<b>LFD ISSUE</b>	<u>Contingency Language</u>
	If the legislature approves this request, it may wish to make the appropriation contingent on passage and approval of LC0312.

DP 11902 - Provider Rate Increase - Medicaid Core - This new proposal would fund a 2% provider rate increase in each year of the biennium for most Medicaid services administered by the Health Resources Division.

**Sub-Program Details**

**HEALTHY MONTANA KIDS 02**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	6.00	0.00	0.00	6.00	0.00	0.00	6.00	6.00
Personal Services	259,035	67,114	0	326,149	66,446	0	325,481	651,630
Operating Expenses	1,485,254	390,397	0	1,875,651	471,685	0	1,956,939	3,832,590
Benefits & Claims	68,072,669	19,298,214	1,800,398	89,171,281	29,696,646	2,213,524	99,982,839	189,154,120
<b>Total Costs</b>	<b>\$69,816,958</b>	<b>\$19,755,725</b>	<b>\$1,800,398</b>	<b>\$91,373,081</b>	<b>\$30,234,777</b>	<b>\$2,213,524</b>	<b>\$102,265,259</b>	<b>\$193,638,340</b>
General Fund	2,459,017	1,691,155	356,117	4,506,289	2,614,992	382,356	5,456,365	9,962,654
State/Other Special	13,518,901	3,512,560	75,099	17,106,560	5,080,280	151,765	18,750,946	35,857,506
Federal Special	53,839,040	14,552,010	1,369,182	69,760,232	22,539,505	1,679,403	78,057,948	147,818,180
<b>Total Funds</b>	<b>\$69,816,958</b>	<b>\$19,755,725</b>	<b>\$1,800,398</b>	<b>\$91,373,081</b>	<b>\$30,234,777</b>	<b>\$2,213,524</b>	<b>\$102,265,259</b>	<b>\$193,638,340</b>

**Sub-Program Description**

The Healthy Montana Kids (HMK) sub-program includes the budget authority for administration and the funding for 2 of the 3 eligibility components of HMK:

- The HMK/CHIP population of children in families with incomes above 133% of the federal poverty level
- The HMK Plus expansion group of children in families with incomes between 101% to 133% of the federal poverty level

The services cost for the component HMK Plus group of children in families with incomes lower than 100% of the federal poverty level are funded in the Medicaid Services sub-program.

*HMK Budget Discussion*

The HMK appropriation increases due to a projected per child cost increase of 6% annually and increased enrollment growth.

Figure 15 shows the executive enrollment estimate for HMK Plus ages 6-18 (Medicaid CHIP funded) enrollment and HMK CHIP enrollment from FY 2010 through the executive budget request in FY 2015. DPHHS did not provide an estimate for enrollment of children in families with incomes less than 100% of the federal poverty level.

Enrollment in the HMK/CHIP component of HMK has grown from 19,773 to 23,101 children (September 2011 to September 2012 the most recent month available) or 17%. That growth is lower than the 26% annual increase from September 2010 to September 2011. The executive request is based on growth through FY 2013, then a leveling off to an annual enrollment level of 24,432 each year of the 2015 biennium.

Enrollment in the HMK Plus 6-18 has increased 14% from September 2011 to September 2012. The executive budget grows enrollment in this group by 16% in FY 2013 and then by 19% per year in FY 2014 and in FY 2015. Enrollment grows from 6,219 in FY 2012 to 10,259 in FY 2015.

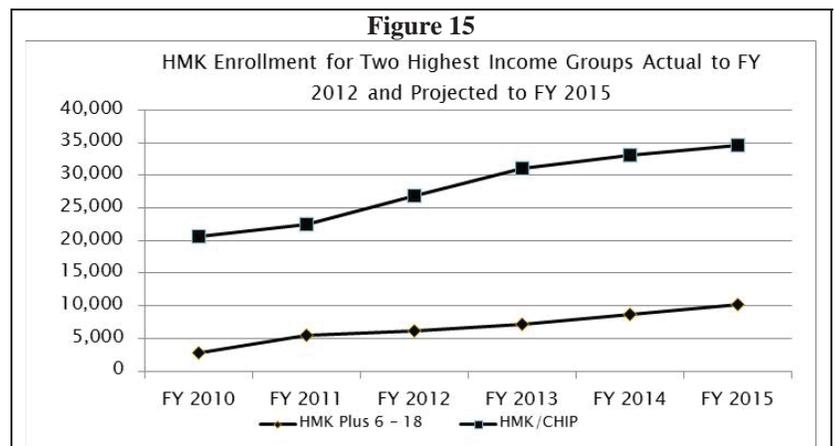
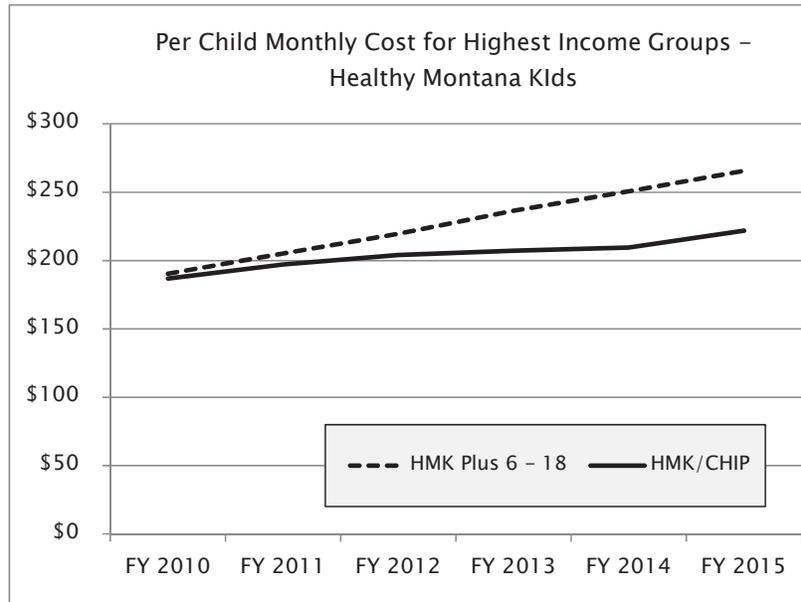


Figure 16 shows the annual cost per child for the highest two income groups. FY 2010 through FY 2012 are actual costs and FY 2013 through FY 2015 are projected costs. The per child cost of the two groups is very similar in FY 2010 then begins to diverge. The per child cost of the HMK Plus 6 – 18 group is projected to grow at about 7% annually. The per child cost of the HMK/CHIP group is essentially flat (1.1% increase) from FY 2013 to FY 2014 then jumps to 5.5% in FY 2015.

Figure 16

**LFD  
ISSUE**Additional Information on the HMK Budget Request and Updated Information

Prior to taking action on the caseload increase requested for HMK, the legislature may wish to ask DPHHS:

- Why the inflation rates between the HMK Plus 6 – 18 and HMK/CHIP groups are different
- Why inflation for the HMK group jumps to 5.5% in FY 2015 after a moderating trend over the previous three years
- What the most recent enrollment and per child costs are prior to taking action on the requested caseload increases

*Funding*

HMK is funded by general fund, state special revenue, and federal CHIP grant funds. General fund pays part of the state match for the federal CHIP grant for children enrolled prior to November 4, 2008.

State special revenue sources are also used as state match for the federal CHIP grant and include:

- Tobacco settlement revenues dedicated to HMK
- Insurance tax proceeds dedicated to HMK
- Tobacco tax health and Medicaid initiatives

CHIP federal grant funds are the single federal funding source.

**LFD  
ISSUE**Proposed Legislation

DPHHS requested legislation to remove the statutory language specifying that insurance tax proceeds allocated to HMK could be used only to fund enrollment levels above that on November 4, 2008. If that bill is passed, the legislature may wish to review whether general fund is needed for some of the funding in this program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	2,459,017	2,459,017	4,918,034	49.36%	69,816,958	69,816,958	139,633,916	72.11%
Statewide PL Adjustments	1,425	1,391	2,816	0.03%	85,195	83,733	168,928	0.09%
Other PL Adjustments	1,689,730	2,613,601	4,303,331	43.19%	19,670,530	30,151,044	49,821,574	25.73%
New Proposals	356,117	382,356	738,473	7.41%	1,800,398	2,213,524	4,013,922	2.07%
<b>Total Budget</b>	<b>\$4,506,289</b>	<b>\$5,456,365</b>	<b>\$9,962,654</b>		<b>\$91,373,081</b>	<b>\$102,265,259</b>	<b>\$193,638,340</b>	

The majority of the HMK 2015 biennium budget supports continuation of current level services. New proposals for a 2% annual provider rate increase and to expand the services offered to the highest HMK income group add about 2%.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					80,704					80,007
Vacancy Savings					(13,590)					(13,561)
Inflation/Deflation					2					6
Fixed Costs					18,079					17,281
<b>Total Statewide Present Law Adjustments</b>		<b>\$1,425</b>	<b>\$35,423</b>	<b>\$48,347</b>	<b>\$85,195</b>		<b>\$1,391</b>	<b>\$40,646</b>	<b>\$41,696</b>	<b>\$83,733</b>
DP 11208 - HMK Medicaid CHIP Funded Caseload	0.00	0	2,022,077	6,535,170	8,557,247	0.00	0	3,624,219	11,706,657	15,330,876
DP 11209 - HMK Caseload	0.00	1,689,730	936,338	8,487,215	11,113,283	0.00	2,613,601	889,886	11,316,681	14,820,168
DP 11403 - HMK Medicaid CHIP Funded FMAP	0.00	0	528,360	(528,360)	0	0.00	0	530,100	(530,100)	0
DP 11404 - HMK FMAP	0.00	0	(9,638)	9,638	0	0.00	0	(4,571)	4,571	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,689,730</b>	<b>\$3,477,137</b>	<b>\$14,503,663</b>	<b>\$19,670,530</b>	<b>0.00</b>	<b>\$2,613,601</b>	<b>\$5,039,634</b>	<b>\$22,497,809</b>	<b>\$30,151,044</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$1,691,155</b>	<b>\$3,512,560</b>	<b>\$14,552,010</b>	<b>\$19,755,725</b>	<b>0.00</b>	<b>\$2,614,992</b>	<b>\$5,080,280</b>	<b>\$22,539,505</b>	<b>\$30,234,777</b>

DP 11208 - HMK Medicaid CHIP Funded Caseload - This present law adjustment adds funds for estimated caseload growth for the Healthy Montana Kids Medicaid expansion group (101-133% FPL).

<b>LFD ISSUE</b>	<p><u>Additional Information and Updated Information on HMK Caseload Adjustments</u></p> <p>The legislature may wish to review the assumptions used to develop the caseload adjustments requested in DP11208 and DP11209 prior to taking action. The assumptions are discussed in the HMK program overview.</p>
------------------	---

DP 11209 - HMK Caseload - This present law adjustment reflects the caseload growth for the Healthy Montana Kids (children in households with family incomes from 134% to 250% FPL).

DP 11403 - HMK Medicaid CHIP-Funded FMAP - This present law adjustment reflects the anticipated change in the state match rate for CHIP. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

DP 11404 - HMK FMAP - This present law adjustment adjusts funding for the regular change in the Medicaid match rate, which is used to determine the state share of CHIP costs. The state match rate for CHIP in FY 2012 was 23.60% compared to the FY 2014 rate of 23.63% and an estimated rate of 23.64% in FY 2015.

**New Proposals**

New Proposals										
Sub Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 11218 - HMK Additional Services										
02	0.00	356,117	0	1,126,469	1,482,586	0.00	382,356	0	1,189,184	1,571,540
DP 11901 - Provider Rate Increase - HMK Group										
02	0.00	0	28,360	91,656	120,016	0.00	0	57,311	185,122	242,433
DP 11903 - PRI-HMK Medicaid CHIP-Funded Group										
02	0.00	0	46,739	151,057	197,796	0.00	0	94,454	305,097	399,551
<b>Total</b>	<b>0.00</b>	<b>\$356,117</b>	<b>\$75,099</b>	<b>\$1,369,182</b>	<b>\$1,800,398</b>	<b>0.00</b>	<b>\$382,356</b>	<b>\$151,765</b>	<b>\$1,679,403</b>	<b>\$2,213,524</b>

DP 11218 - HMK Additional Services - This new proposal adds funds over the biennium to cover additional benefit costs for Healthy Montana Kids enrollees to obtain necessary services in the HMK program. The new services are: non-emergency transportation, durable medical equipment, nutrition, home health, hospice, obesity, chiropractic and contraceptives.

<b>LFD COMMENT</b>	DPHHS lost a lawsuit in district court challenging the HMK restriction to not cover family planning services. The court found that the HMK restriction was invalid. The ruling does not apply statewide. DPHHS chose not to appeal the district court decision and to implement the ruling statewide rather than maintain two coverage criteria.
The remainder of the new services funded in this proposal is not required by law. The new benefits would more closely align the service package of the HMK/CHIP coverage group with benefits available to children eligible for HMK Plus (Medicaid) programs.	

DP 11901 - Provider Rate Increase - HMK Group - This new proposal would fund a 2% provider rate increase in each year of the biennium for the highest income HMK group (FPL level 134-250%).

**LFD  
ISSUE**

Funding Inadequate to Support a 2% Annual Provider Rate Increase

DP 11901 and DP 11902 do not include adequate funding for a 2% provider rate increase. Figure 17 shows the total service level for HMK Medicaid CHIP – Funded Group and HMK/CHIP, the cost of a 2% annual rate increase, and the amount in the executive budget request.

**Figure 17**

Cost of a 2% Annual Provider Rate Increase Compared to Executive Request and HMK State Special Revenue Fund Balance		
Group	FY 2014	FY 2015
<u>HMK/CHIP</u>	\$61,395,661	\$97,738,185
2% Annual Rate Increase	1,227,913	3,987,718
DP 11903 HMK/CHIP Group	<u>120,016</u>	<u>242,433</u>
Additional Funds for a 2% Increase	1,107,897	3,745,285
<u>HMK Plus 6 - 18</u>	25,933,058	32,701,178
DP 11902 HMK Medicaid CHIP Funded Group	518,661	1,334,208
2% Annual Rate Increase	<u>197,796</u>	<u>399,551</u>
Additional Funds for a 2% Increase	320,865	934,657
Total Additional Needed for 2% Rate Increase	1,428,762	4,679,942
Balance in HMK State Special Revenue Account	<u>1,557,922</u>	<u>2,671,922</u>

DP 11902 - Provider Rate Increase – HMK Medicaid CHIP Funded Group - This new proposal would fund a 2% provider rate increase in each year of the biennium for the middle income HMK group (FPL level 101%-133%).

**Sub-Program Details**

**PRESCRIPTION DRUG PROGRAM 05**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	204,237	2,259	0	206,496	2,143	0	206,380	412,876
Operating Expenses	398,989	12,285	0	411,274	11,732	0	410,721	821,995
Benefits & Claims	3,665,533	539,180	0	4,204,713	539,180	0	4,204,713	8,409,426
<b>Total Costs</b>	<b>\$4,268,759</b>	<b>\$553,724</b>	<b>\$0</b>	<b>\$4,822,483</b>	<b>\$553,055</b>	<b>\$0</b>	<b>\$4,821,814</b>	<b>\$9,644,297</b>
State/Other Special	4,268,759	553,724	0	4,822,483	553,055	0	4,821,814	9,644,297
<b>Total Funds</b>	<b>\$4,268,759</b>	<b>\$553,724</b>	<b>\$0</b>	<b>\$4,822,483</b>	<b>\$553,055</b>	<b>\$0</b>	<b>\$4,821,814</b>	<b>\$9,644,297</b>

**Sub-Program Description**

The Prescription Drug sub-program administers two programs:

- Big Sky Rx, a premium assistance program to assist low-income Medicare beneficiaries in the purchase of Medicare Part D prescription drug coverage (\$3.7 million in benefits payments in FY 2012)
- PharmAssist, a program that contracts with pharmacists to provide review and counseling about prescriptions about (\$5,000 in FY 2012)

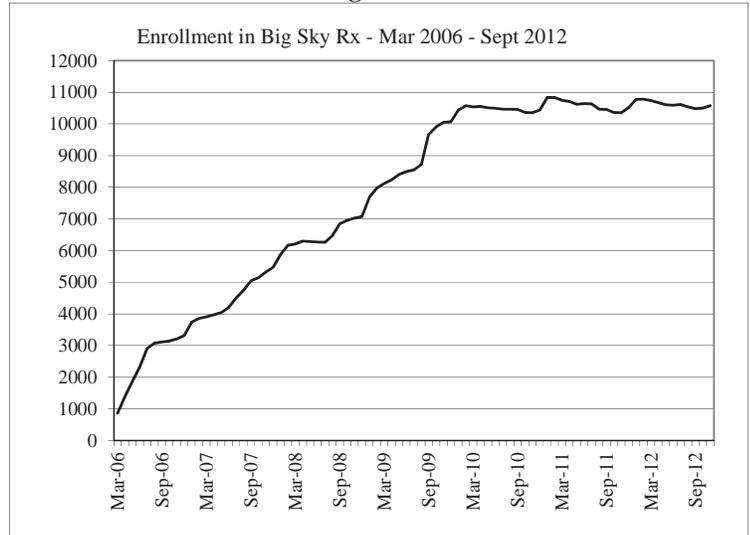
**Big Sky Rx**

Big Sky Rx is funded entirely from tobacco tax health and Medicaid initiatives state special revenue. The 2015 biennium appropriation continues the FY 2012 base budget adjusted for about \$1.1 million in increased premium assistance and some operating cost increases. There is not enough money in the health and Medicaid initiatives account to fund the executive budget and State Auditor’s budget request. This issue and options for legislative consideration are discussed in the DPHHS agency overview.

FY 2012 average monthly enrollment in Big Sky Rx was 10,582, with an average per capita assistance amount of \$28.81 per month. The 2015 biennium appropriation is based on average annual enrollment of 11,000, and an average per capita premium assistance amount of \$31.82 per month. Figure 18 shows Big Sky Rx enrollment from the beginning of the program through September 2012.

The average monthly enrollment in Big Sky Rx for FY 2012 was 10,582. Year to date monthly enrollment for FY 2013 as of November 1, 2012 was 10,545. The executive budget is based on a monthly enrollment level of 11,000 persons.

**Figure 18**



**LFD  
ISSUE**

Level of Premium Assistance

Figure 19 shows the average monthly premium assistance paid by the Big Sky Classic program from FY 2010 through FY 2012, the executive budget request, and the estimated monthly amount using historic rates of premium increases. From FY 2010 through FY 2012, the average monthly premium assistance provided by Big Sky Rx increased 0.21%. The executive budget assumes a rate increase of 1.5% annually from FY 2012 through FY 2015.

Figure 20 shows the executive budget request compared to a scenario based on FY 2012 enrollment of 10,582 per month with monthly premium increases at a rate equivalent to that from FY 2012 to FY 2012. The executive budget is about \$700,000 higher than a scenario with constant enrollment and historic levels of premium assistance increase.

**Figure 19**

Big Sky Premium Assistance Monthly Average by Fiscal Year Actual, Executive Request, and Estimated Historic Rate		
Fiscal Year	DPHHS	Historic
<u>Actual</u>		
FY10	\$28.63	\$28.63
FY11	29.53	29.53
FY12	28.81	28.81
<u>Estimated</u>		
FY13	29.97	29.97
FY14	31.82	30.33
FY15	31.82	30.69

**Figure 20**

Big Sky Premium Assistance		
Executive Request, Historic Increase	FY 2014	FY 2015
Executive Request	\$4,204,713	\$4,204,713
Historic Increase and Present Level Enrollment	<u>3,851,318</u>	<u>3,897,534</u>
Over (Under) Executive	<u>(\$353,395)</u>	<u>(\$307,179)</u>

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	0	0	0	0.00%	4,268,759	4,268,759	8,537,518	88.52%
Statewide PL Adjustments	0	0	0	0.00%	14,544	13,875	28,419	0.29%
Other PL Adjustments	0	0	0	0.00%	539,180	539,180	1,078,360	11.18%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$4,822,483</b>	<b>\$4,821,814</b>	<b>\$9,644,297</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					10,863					10,742
Vacancy Savings					(8,604)					(8,599)
Inflation/Deflation					28					51
Fixed Costs					12,257					11,681
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$14,544</b>	<b>\$0</b>	<b>\$14,544</b>		<b>\$0</b>	<b>\$13,875</b>	<b>\$0</b>	<b>\$13,875</b>
DP 11212 - Big Sky RX Caseload	0.00	0	539,180	0	539,180	0.00	0	539,180	0	539,180
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$539,180</b>	<b>\$0</b>	<b>\$539,180</b>	<b>0.00</b>	<b>\$0</b>	<b>\$539,180</b>	<b>\$0</b>	<b>\$539,180</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$553,724</b>	<b>\$0</b>	<b>\$553,724</b>	<b>0.00</b>	<b>\$0</b>	<b>\$553,055</b>	<b>\$0</b>	<b>\$553,055</b>

DP 11212 - Big Sky Rx Caseload - This present law adjustment adds tobacco tax state special revenue for the Big Sky Rx. Big Sky Rx provides subsidies to help purchase Medicare Part D prescription coverage. Persons must be Medicare eligible persons with incomes under 200% of the federal poverty level.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	220.05	220.05	222.05	222.05	220.05	222.05	2.00	0.91%
Personal Services	10,783,866	11,413,008	11,831,180	11,816,846	22,196,874	23,648,026	1,451,152	6.54%
Operating Expenses	7,872,989	8,265,374	8,780,611	10,195,793	16,138,363	18,976,404	2,838,041	17.59%
Equipment & Intangible Assets	111,093	132,303	111,093	111,093	243,396	222,186	(21,210)	(8.71%)
Grants	8,665,823	8,994,341	11,873,156	12,115,529	17,660,164	23,988,685	6,328,521	35.84%
Benefits & Claims	240,910,744	233,267,817	266,312,767	277,940,382	474,178,561	544,253,149	70,074,588	14.78%
Transfers	0	0	0	0	0	0	0	n/a
Debt Service	86,284	87,362	76,284	76,284	173,646	152,568	(21,078)	(12.14%)
<b>Total Costs</b>	<b>\$268,430,799</b>	<b>\$262,160,205</b>	<b>\$298,985,091</b>	<b>\$312,255,927</b>	<b>\$530,591,004</b>	<b>\$611,241,018</b>	<b>\$80,650,014</b>	<b>15.20%</b>
General Fund	60,343,797	62,481,031	66,056,274	68,884,298	122,824,828	134,940,572	12,115,744	9.86%
State Special	34,787,255	32,683,758	37,700,802	38,292,671	67,471,013	75,993,473	8,522,460	12.63%
Federal Special	173,299,747	166,995,416	195,228,015	205,078,958	340,295,163	400,306,973	60,011,810	17.64%
<b>Total Funds</b>	<b>\$268,430,799</b>	<b>\$262,160,205</b>	<b>\$298,985,091</b>	<b>\$312,255,927</b>	<b>\$530,591,004</b>	<b>\$611,241,018</b>	<b>\$80,650,014</b>	<b>15.20%</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) The 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) The 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 Veteran's Home (MVH) in Columbia Falls and the 80-bed Eastern Montana Veteran's 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); 53-1-602, 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>◆ The 2015 biennium request grows \$80.7 million (\$12.1 million general fund) compared to the 2013 biennium budget</li> <li>◆ Major changes are: <ul style="list-style-type: none"> <li>• A new proposal to expand Medicaid community services for disabled and elderly persons - \$17.1 million federal funds</li> <li>• Increases in enrollment and service utilization for Medicaid services - \$17.5 million total funds (\$5.9 million general fund)</li> <li>• A new proposal for a 2% annual provider rate increase - \$13.9 million total funds (\$5.1 million general fund)</li> <li>• Increases in county funded intergovernmental transfer payments to increase nursing home rates - \$14.5 million</li> <li>• Anticipated federal funding for aging services - \$4.4 million</li> <li>• Continuation of a one-time appropriation for community aging services - \$3.0 million general fund</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>◆ Medicaid funded nursing home services would be lower if the legislature approves the expansion of community based services, which includes transitioning persons from nursing home services to community services</li> <li>◆ Federal per diem payments for veterans receiving services in Montana veterans' homes could offset increases in cigarette tax funding, resulting in higher transfers of cigarette tax revenue to the general fund</li> <li>◆ A recent settlement in a class action lawsuit may reduce Medicaid costs for some nursing home and home based therapeutic services due to Medicare reimbursement for those services</li> </ul>

**Program Narrative**

The 2015 biennium budget request is \$80.7 million greater than the 2013 biennium budget. However, the changes that the legislature will consider compare each year of the 2015 biennium budget request to the base budget and total \$74.4 million.

The FY 2014 and FY 2015 change compared to the base budget is less than the biennium to biennium because:

- Base budget expenditures were \$8.5 million greater than the amount appropriated for intergovernmental transfer (IGT) payments to nursing homes
- Anticipated reductions in the number of days of care for nursing home services from FY 2012 to FY 2013 resulted in base budget expenditures being \$7.0 million higher than the FY 2013 appropriation
- The FY 2013 appropriation for IGT payments is \$7.5 million lower than base budget expenditures

The major changes included in the executive budget that the legislature will consider are:

- Rebalance long term care services spending to move additional persons into community services from state facilities and nursing homes and funding for 1.00 new FTE - \$17.1 million federal funds due to an enhanced federal Medicaid match rate for the initiative
- Enrollment and service utilization increases in Medicaid services - \$17.4 million total funds including \$5.8 million general fund

- o Higher intergovernmental transfer payments using county funds to leverage additional nursing home reimbursements - \$14.4 million
- o 2% annual provider rate increases - \$13.9 million total funds including \$5.1 million general fund
- o Continuation of a one-time appropriation for community aging services - \$3.0 million general fund
- o Construction and management of a new Southwest Veteran’s Home - \$1.4 million state special revenue and funding for 1.00 FTE

*SLTC 2015 Biennium Budget by Component*

Figure 1 shows the 2015 biennium budget by component. Appropriations for Medicaid services are the most significant budgetary item, comprising nearly 90% of the 2015 biennium executive budget request. Veterans’ services and adult protective services are each 5% of the 2015 biennium budget request, with division administration being less than 1%. The appendix includes a table showing base budget expenditures by fund and function compared to the executive budget request.

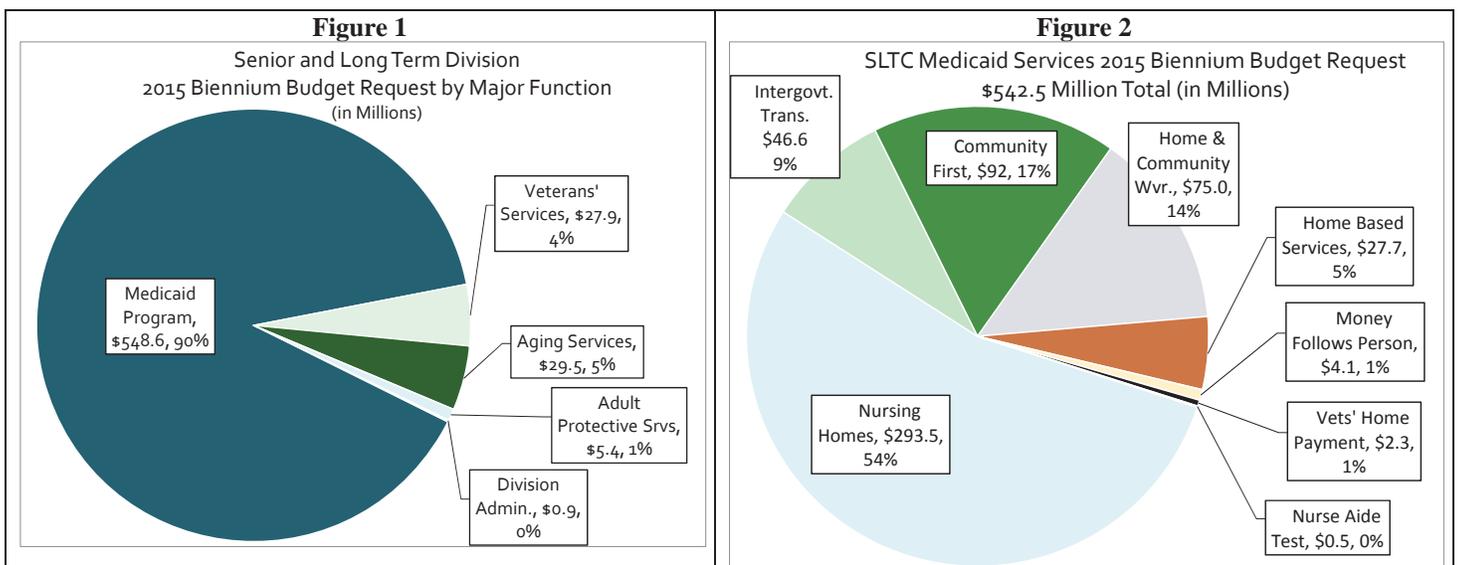


Figure 2 shows the Medicaid services appropriation request for SLTC. Nursing home costs are 54% of the total, rising to 63% when the IGT component is included. Community services comprise the balance of the request. Figure 3 shows base budget expenditures for Medicaid services compared to the executive budget request by funding.

Figure 3

Medicaid Service	Senior and Long Term Care Division												% of 2015 Biennial Budget
	2012 Base Budget Expenditures and 2015 Biennium Executive Budget Request for Medicaid Services				FY 2014 Executive Request				FY 2015 Executive Request				
	General Fund	State Special	Federal Special	Total	General Fund	State Special	Federal Special	Total	General Fund	State Special	Federal Special	Total	
Nursing Homes	\$31,240,062	\$16,694,858	\$93,955,094	\$141,890,014	\$32,275,779	\$16,694,858	\$96,329,426	\$145,300,063	\$33,316,499	\$16,694,858	\$98,154,160	\$148,165,517	54.10%
Intergovernmental Transfer	0	5,455,978	10,643,102	16,099,080	0	7,640,182	15,010,820	22,651,002	0	8,088,679	15,856,491	23,945,170	8.59%
Home Based Services	12,623,846	2,394,147	29,458,495	44,476,488	3,918,628	2,394,147	12,402,836	18,715,611	652,701	2,394,147	5,972,834	9,019,682	5.11%
Community Based Waiver	9,069,486	3,092,008	23,842,204	36,003,698	9,429,394	3,092,008	24,601,062	37,122,464	9,700,009	3,092,008	25,076,607	37,868,624	13.82%
Money Follows the Person	0	0	0	0	409,280	0	1,213,400	1,622,680	619,951	0	1,835,259	2,455,210	0.75%
Community First Choice	0	0	0	0	10,634,110	0	27,996,566	38,630,676	14,942,735	0	39,241,560	54,184,295	17.11%
Vets' Home Reimbursement	0	0	1,160,820	1,160,820	0	0	1,160,820	1,160,820	0	0	1,160,820	1,160,820	0.43%
Nurse Aide Testing	120,079	0	120,079	240,158	120,079	0	120,079	240,158	120,079	0	120,079	240,158	0.09%
Total	\$53,053,473	\$27,636,991	\$159,179,794	\$239,870,258	\$56,787,270	\$29,821,195	\$178,835,009	\$265,443,474	\$59,351,974	\$30,269,692	\$187,417,810	\$277,039,476	100.00%
2015 Biennium Total									\$116,139,244	\$60,090,887	\$366,252,819	\$542,482,950	

Summary of Issues

Legislative staff has identified several issues for legislative consideration that are explained in the sub-program budget requests. Those issues are:

- The nursing home Medicaid budget request could be reduced, particularly if the legislature approves the refinancing and expansion of community services included in the executive budget
- The executive budget includes higher amounts of state special revenue than may be available to fund nursing homes
- Federal VA per diem payments for veterans' homes would be higher than included in the executive budget if increases are closer to historic rates of growth in those payments
- SLTC has been requested to provide a cost containment plan to reduce costs at MVH in accordance with legislative audit recommendations
- There are several instances where information that was requested was received too late to be evaluated and included in the budget analysis

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Senior & Long-Term Care							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$134,940,572	\$0	\$0	\$134,940,572	22.1%		
State Special Total	\$75,993,473	\$0	\$0	\$75,993,473	12.4%		
02023 Private Ins. Medicaid Reim.-ve	\$9,912,842	\$0	\$0	\$9,912,842	1.6%		
02032 Vets-i&i Lease	\$37,948	\$0	\$0	\$37,948	0.0%		
02053 Medicaid Nursing Home Match	\$16,858,431	\$0	\$0	\$16,858,431	2.8%		
02260 Cigarette Tax Revenue	\$5,120,838	\$0	\$0	\$5,120,838	0.8%		
02497 6901-lien & Estate - Sltd	\$2,218,348	\$0	\$0	\$2,218,348	0.4%		
02772 Tobacco Hlth & Medid Initiative	\$21,392,324	\$0	\$0	\$21,392,324	3.5%		
02783 6901-traumatic Brain Injury Dn	\$7,994	\$0	\$0	\$7,994	0.0%		
02959 Emvh Clinic Rent	\$67,318	\$0	\$0	\$67,318	0.0%		
02987 Tobacco Interest	\$1,763,700	\$0	\$0	\$1,763,700	0.3%		
02990 69010-nursing Home Utilization	\$18,613,730	\$0	\$0	\$18,613,730	3.0%		
Federal Special Total	\$400,306,973	\$0	\$0	\$400,306,973	65.5%		
03005 Emvh V-a Nursing Reimbursement	\$4,466,612	\$0	\$0	\$4,466,612	0.7%		
03073 Aging - Farmers Market	\$199,050	\$0	\$0	\$199,050	0.0%		
03112 Vets-v.a. Reimb	\$7,044,517	\$0	\$0	\$7,044,517	1.2%		
03193 Mippa Aaa	\$91,630	\$0	\$0	\$91,630	0.0%		
03202 Mippa Cms	\$127,244	\$0	\$0	\$127,244	0.0%		
03279 Sltc Lifespan Respite	\$367,500	\$0	\$0	\$367,500	0.1%		
03456 69010-aoa Aging One-stop Shop	\$144,972	\$0	\$0	\$144,972	0.0%		
03501 64.014 - Vets St. Domic Care 1	\$295,793	\$0	\$0	\$295,793	0.0%		
03511 Sw Mt Vet Home Cnstr	\$1,113,615	\$0	\$0	\$1,113,615	0.2%		
03514 10.570 - Elderly Feeding 100%	\$2,337,619	\$0	\$0	\$2,337,619	0.4%		
03515 93.041 - Elder Abuse Prev 100%	\$29,899	\$0	\$0	\$29,899	0.0%		
03516 93.042 - Ombudsman Activity 10	\$195,079	\$0	\$0	\$195,079	0.0%		
03517 93.043 - Preventive Hlth 100%	\$229,597	\$0	\$0	\$229,597	0.0%		
03518 93.044 - Aging Sup S & Train 1	\$3,782,872	\$0	\$0	\$3,782,872	0.6%		
03519 93.045 - Aging Meals 100%	\$6,927,946	\$0	\$0	\$6,927,946	1.1%		
03537 93.779 - Hlth Info Counseling	\$767,942	\$0	\$0	\$767,942	0.1%		
03563 Community Living	\$647,952	\$0	\$0	\$647,952	0.1%		
03579 93.667 - SsbG - Benefits	\$600,002	\$0	\$0	\$600,002	0.1%		
03580 6901-93.778 - Med Adm 50%	\$4,312,658	\$0	\$0	\$4,312,658	0.7%		
03583 93.778 - Med Ben Fmap	\$364,983,430	\$0	\$0	\$364,983,430	59.7%		
03666 Aging - Caregiver Iii-e	\$1,606,076	\$0	\$0	\$1,606,076	0.3%		
03819 Mippa Adrc	\$34,968	\$0	\$0	\$34,968	0.0%		
Total All Funds	\$611,241,018	\$0	\$0	\$611,241,018	100.0%		
<b>Percent - Total All Sources</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>				

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:

- Growth in Medicaid costs, including a new proposal for 2% annual provider rate increases
- Grants to Area Agencies on Aging

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)

LFD  
ISSUE

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.

**Figure 4**

Nursing Facility Fee Revenue Estimate Compared to Executive Budget and Estimated Unfunded Days of Care				
Variable	FY 2012	FY 2013	FY 2014	FY 2015
Days of Care*	1,722,000	1,674,000	1,627,000	1,580,000
Rate	\$5.50	\$5.50	\$5.50	\$5.50
Revenue	9,471,000	9,207,000	8,948,500	8,690,000
Executive Budget Revenue			<u>9,306,865</u>	<u>9,306,865</u>
Executive Over (Under) Revenue Est.			<u>(358,365)</u>	<u>(616,865)</u>
Biennial Difference in State Matching Funds				(975,230)
Total Funds with Federal Match				(\$2,888,577)
Estimated Number of Unfunded Days of Care				17,608
% of Total Days of Care				0.8%
*Revenue based on LFD staff estimates presented to Revenue and Transportation Interim Committee on November 19, 2012.				

Figure 4 shows the nursing home utilization fee estimate for the state special revenue account. The estimate is based on information developed by LFD staff and presented to the Revenue and Transportation Interim Committee on November 19, 2012. Historically, the number of days of nursing home care has fallen steadily since the mid 1990s, resulting in an annual decline estimated to be 3.2% per year in the 2015 biennium. The executive budget holds the revenue from the nursing utilization fee constant. It appears that the executive budget for state matching funds for nursing home services is nearly \$1.0 million higher than the LFD staff revenue estimate over the 2015 biennium.

The projected state matching funds and resulting increase federal Medicaid matching funds in the executive budget totals \$2.9 million and is the equivalent of 17,608 days of care or 24 persons in nursing home care over the biennium. If the executive has overestimated the amount of funds available there would be significantly fewer days of care available than assumed in the executive budget.

Medicaid nursing home estimates are discussed in the Medicaid Services sub-program. The legislature may wish to consider the effect of the state special revenue potential shortfall when it establishes the 2015 biennium nursing home appropriation. If the legislature accepts the executive Medicaid nursing home estimate, it may wish to consider whether to appropriate other state funds to offset the LFD staff projected reduction in nursing facility fee revenue.

Two sources of state special revenue support the veterans' homes:

- Cigarette tax state special revenues
- Private reimbursements including insurance, Medicaid, and Medicare

State special revenue increases due to:

- State Medicaid match for IGT payments to nursing homes
- Inflation and reinstatement of overtime, shift differential, and holiday pay at MVH
- Construction and operation of a new Southwest Montana Veteran's Home (SMVH)

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 amounts in excess of \$2.0 million in the veterans' portion of the cigarette tax fund be transferred to the general fund at the end of the fiscal year. Figure 5 shows the estimated revenue, expenditures, and fund balance for the cigarette state special revenue account.

**Figure 5**

Senior and Long Term Care Division Veterans' Services - Cigarette Tax Fund Balance					
Fund Balance	Actual	Appropriated	Executive Budget		% of
Deposits/Expenditures	FY 2012	FY 2013	FY 2014	FY 2015	Total
Beginning Fund Balance*	\$2,226,269	\$2,000,000	\$2,000,000	\$2,000,000	
Revenue/Transfers In**					
Cigarette Tax	<u>5,952,337</u>	<u>5,801,000</u>	<u>6,543,000</u>	<u>5,454,000</u>	
Total Revenue	5,952,337	5,801,000	6,543,000	5,454,000	
Expenditures/Transfers Out					
<u>Veterans' Homes Operations</u>					
Montana Veterans' Home	1,463,345	3,062,149	2,124,465	2,119,829	70.2%
Eastern Montana Veterans' Home	252,976	272,975	245,758	245,043	8.1%
Southwest Montana Veterans' Home	0	0	58,184	206,703	6.8%
<u>Long Range Building</u>					
Southwest Montana Veterans' Home	3,675,615	0	0	0	0.0%
<u>DPHHS Administrative Costs</u>					
DPHHS Cost Allocated Admin	290,785	337,311	371,042	389,594	12.9%
SLTC Division Admin Cost	<u>59,899</u>	<u>69,483</u>	<u>60,326</u>	<u>60,530</u>	<u>2.0%</u>
Subtotal Expenditures	5,742,620	3,741,917	2,859,775	3,021,699	100.0%
Annual Rate of Increase		-34.8%	-23.6%	5.7%	
Other					
Transfer to the General Fund	206,103	2,059,083	3,683,225	2,432,301	
Adjustments	<u>229,883</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Subtotal Other	<u>435,986</u>	<u>2,059,083</u>	<u>3,683,225</u>	<u>2,432,301</u>	
Ending Fund Balance	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	<u>\$2,000,000</u>	
* Statute requires that at fiscal year end unexpended cash balances in excess of \$2.0 million be transferred to					
** Revenue based on estimates are those prepared by the Legislative Fiscal Division and presented to the Revenue and Transportation Interim Committee on November 19, 2012.					

Cigarette taxes are a declining revenue source, and revenue estimates prepared by the LFD decline from a base amount of \$6.0 million to \$5.5 million in FY 2015. Services supported by the cigarette tax include:

- Operational costs of the two Montana veterans' homes
- Long-range building projects for the veterans' homes
- Indirect costs of DPHHS

The lion's share of cigarette tax revenue dedicated to veterans' services supports MVH, with a request of \$2.1 million annually or 39% of the estimated revenue in FY 2015. EMVH and SMVH spending requests for FY 2015 are both under \$250,000 in FY 2015.

Indirect costs include DPHHS centralized services, and some statewide centralized services continue to rise as a cost to the cigarette tax, from about \$291,000 in FY 2012 to an estimated \$390,000 in FY 2015. Indirect cost increases are driven by:

- Employee pay levels
- Statewide fixed cost changes
- Inflation
- Growth in operating costs

Federal Funds

Federal funds increase over the 2015 biennium due to:

- Higher Medicaid services costs
- Two new proposals to expand community services for persons who meet the level of care requirements for nursing home care
- Anticipated increases in federal aging services block grants

<b>LFD ISSUE</b>	<u>Federal Sequestration</u>
Some of the federal grants that support aging services are included in the potential automatic spending reductions scheduled to take effect January 1, 2013 absent Congressional action (federal sequestration). This issue is addressed in the DPHHS agency overview because it affects several divisions. The legislature may wish to request information from DPHHS about the impact of federal funding reductions should they occur.	

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	-----General Fund-----				-----Total Funds-----			
Budget Item	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	60,343,797	60,343,797	120,687,594	89.44%	268,430,799	268,430,799	536,861,598	87.83%
Statewide PL Adjustments	115,846	116,935	232,781	0.17%	531,018	521,971	1,052,989	0.17%
Other PL Adjustments	2,405,134	3,502,306	5,907,440	4.38%	16,739,557	21,231,735	37,971,292	6.21%
New Proposals	3,191,497	4,921,260	8,112,757	6.01%	13,283,717	22,071,422	35,355,139	5.78%
<b>Total Budget</b>	<b>\$66,056,274</b>	<b>\$68,884,298</b>	<b>\$134,940,572</b>		<b>\$298,985,091</b>	<b>\$312,255,927</b>	<b>\$611,241,018</b>	

The majority of the SLTC budget request supports continuation of current level services. About 6% of the request funds new proposals for a 2% annual provider increase and a new option for Medicaid community services that draws down an additional 6% in federal Medicaid matching funds.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2014-----					-----Fiscal 2015-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				980,381					950,135	
Vacancy Savings				(470,570)					(469,363)	
Inflation/Deflation				(5,244)					8,826	
Fixed Costs				26,451					32,373	
<b>Total Statewide Present Law Adjustments</b>	<b>\$115,846</b>	<b>\$223,892</b>	<b>\$191,280</b>	<b>\$531,018</b>		<b>\$116,935</b>	<b>\$212,542</b>	<b>\$192,494</b>	<b>\$521,971</b>	
DP 22201 - Med Ben Core Caseload Nursing Homes	0.00	192,064	0	377,353	569,417	0.00	181,542	0	355,884	537,426
DP 22202 - Med Ben Core FMAP Nursing Homes	0.00	(114,492)	0	114,492	0	0.00	(43,427)	0	43,427	0
DP 22203 - Med Ben Core Caseload Home Based	0.00	1,981,872	0	3,893,824	5,875,696	0.00	2,915,585	0	5,715,514	8,631,099
DP 22204 - Med Ben Core FMAP Home Based	0.00	(16,073)	0	16,073	0	0.00	6,165	0	(6,165)	0
DP 22205 - Med Ben Waiver Caseload SLTC HCBW	0.00	130,615	0	256,622	387,237	0.00	130,809	0	256,428	387,237
DP 22206 - Med Ben Waiver FMAP SLTC HCBW	0.00	(17,452)	0	17,452	0	0.00	551	0	(551)	0
DP 22207 - Med Ben Other HCHCW Annualization	0.00	180,814	0	355,250	536,064	0.00	181,082	0	354,982	536,064
DP 22208 - Med Ben Other NH IGT	0.00	0	2,209,963	4,341,959	6,551,922	0.00	0	2,650,410	5,195,680	7,846,090
DP 22209 - Med Ben Other FMAP NH IGT	0.00	0	(25,759)	25,759	0	0.00	0	(17,709)	17,709	0
DP 22210 - Required Overtime/Holiday/Differential Pay	0.00	0	418,520	0	418,520	0.00	0	433,463	0	433,463
DP 22211 - Facility Inflation MVH	0.00	0	133,163	0	133,163	0.00	0	185,617	0	185,617
DP 22212 - Fed Authority for VA Per Diem MVH	0.00	0	(104,416)	104,416	0	0.00	0	(165,610)	165,610	0
DP 22213 - Fed Authority for VA Per Diem EMVH	0.00	0	0	64,914	64,914	0.00	0	0	99,842	99,842
DP 22214 - Aging Grant Funding	0.00	0	0	2,075,612	2,075,612	0.00	0	0	2,319,771	2,319,771
DP 22215 - State Supplemental Payments	0.00	33,772	0	0	33,772	0.00	67,651	0	0	67,651
DP 22216 - Motor Pool Car Request	0.00	2,092	0	373	2,465	0.00	2,092	0	373	2,465
DP 22217 - Private Lease Adjustment	0.00	3,955	0	860	4,815	0.00	10,557	0	1,986	12,543
DP 22218 - EMVH Rent Annualization Fund Switch	0.00	0	0	0	0	0.00	0	0	0	0
DP 22219 - Contractual Adjustments	0.00	27,967	0	57,993	85,960	0.00	49,699	0	122,768	172,467
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,405,134</b>	<b>\$2,631,471</b>	<b>\$11,702,952</b>	<b>\$16,739,557</b>	<b>0.00</b>	<b>\$3,502,306</b>	<b>\$3,086,171</b>	<b>\$14,643,258</b>	<b>\$21,231,735</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,520,980</b>	<b>\$2,855,363</b>	<b>\$11,894,232</b>	<b>\$17,270,575</b>	<b>0.00</b>	<b>\$3,619,241</b>	<b>\$3,298,713</b>	<b>\$14,835,752</b>	<b>\$21,753,706</b>

**New Proposals**

Program	FTE	-----Fiscal 2014-----				-----Fiscal 2015-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Aging Services -OTO										
22	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000
DP 22102 - Southwest Montana Veterans' Home										
22	1.00	0	58,184	0	58,184	1.00	0	206,703	1,113,615	1,320,318
DP 22222 - Med Ben Personal Assistance Services Refinance										
22	1.00	0	0	7,123,086	7,123,086	1.00	0	0	9,954,162	9,954,162
DP 22901 - PRI Med Ben Core Nursing Homes										
22	0.00	958,145	0	1,882,487	2,840,632	0.00	1,938,322	0	3,799,755	5,738,077
DP 22902 - PRI Med Ben Core Home Based Services										
22	0.00	276,720	0	543,679	820,399	0.00	559,804	0	1,097,401	1,657,205
DP 22903 - PRI Med Ben Waiver SLTC										
22	0.00	246,745	0	484,784	731,529	0.00	499,163	0	978,526	1,477,689
DP 22904 - PRI - Aging Services										
22	0.00	209,887	0	0	209,887	0.00	423,971	0	0	423,971
<b>Total</b>	<b>2.00</b>	<b>\$3,191,497</b>	<b>\$58,184</b>	<b>\$10,034,036</b>	<b>\$13,283,717</b>	<b>2.00</b>	<b>\$4,921,260</b>	<b>\$206,703</b>	<b>\$16,943,459</b>	<b>\$22,071,422</b>

**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.”

<b>LFD COMMENT</b>	The IGT is explained in greater detail in the narrative for DP - Med Ben Other NH IGT. The legislature may wish to discuss the language governing the use of IGT in conjunction with its action on this present law adjustment.
--------------------	---

**Sub-Program Details**

**MEDICAID SERVICES 01**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	19.06	0.00	1.00	20.06	0.00	1.00	20.06	20.06
Personal Services	1,028,972	124,469	64,005	1,217,446	125,175	63,881	1,218,028	2,435,474
Operating Expenses	1,522,273	75,135	208,041	1,805,449	161,945	151,901	1,836,119	3,641,568
Benefits & Claims	239,870,258	13,920,336	11,243,600	265,034,194	17,937,916	18,611,351	276,419,525	541,453,719
<b>Total Costs</b>	<b>\$242,421,503</b>	<b>\$14,119,940</b>	<b>\$11,515,646</b>	<b>\$268,057,089</b>	<b>\$18,225,036</b>	<b>\$18,827,133</b>	<b>\$279,473,672</b>	<b>\$547,530,761</b>
General Fund	54,049,378	2,417,100	1,481,610	57,948,088	3,473,810	2,997,289	60,520,477	118,468,565
State/Other Special	27,690,988	2,184,204	0	29,875,192	2,632,701	0	30,323,689	60,198,881
Federal Special	160,681,137	9,518,636	10,034,036	180,233,809	12,118,525	15,829,844	188,629,506	368,863,315
<b>Total Funds</b>	<b>\$242,421,503</b>	<b>\$14,119,940</b>	<b>\$11,515,646</b>	<b>\$268,057,089</b>	<b>\$18,225,036</b>	<b>\$18,827,133</b>	<b>\$279,473,672</b>	<b>\$547,530,761</b>

### Sub-Program Description

The Medicaid Services sub-program includes nursing home services, intergovernmental transfer payments, personal assistance, hospice, home health, and home and community-based waiver programs.

#### *Nursing Facilities*

There are 81 licensed nursing facilities in the state that participate in the Medicaid program (excluding state run facilities) with a total of about 6,600 beds. At any given time about 69% of the available nursing facility beds in the state are occupied. Nursing facilities are located in 43 of Montana's 56 counties, and range in size from 22 to 278 beds.

Historically Medicaid pays for about 60% to 62% of all nursing facility days of care in the state, while private payers make up about 30% and Medicare/other the remainder. In FY 2012 about 1.1 million Medicaid funded days of nursing home care were provided to about 3,100 people.

#### *Personal Assistance*

Medicaid personal assistance services consists of medically necessary in-home services provided to Medicaid recipients whose health problems cause them to be functionally limited in performing activities of daily living. Other Medicaid programs budgeted with personal assistance include hospice and home health.

#### *Home and Community Based Services (HCBS)*

HCBS services are individually prescribed and arranged according to the needs of the recipient. An individual service plan is developed by a case management team in conjunction with the recipient. The service plan must meet the needs of the recipient and be cost effective. To be eligible for the HCBS program an individual must be elderly or disabled, Medicaid eligible, and require nursing facility or hospital level of care. In FY 2012, 2,548 people received HCBS services at a total cost of about \$36.1 million dollars. SLTC contracts with 7 agencies to provide case management services. Case management teams are headquartered in Missoula (3), Billings, Great Falls (3), Helena (2), Bozeman, Sidney, Miles City, Kalispell (2), Butte (2), Lewistown, Roundup, Polson and Havre.

### Budget Overview

The Medicaid Services sub-program 2015 biennium budget request increases \$63.7 million, including \$11.4 million general fund, compared to base budget expenditures (doubled). The main increases are due to:

- \$17.1 million federal Medicaid funds for additional community services for elderly and disabled persons
- \$14.5 million total funds (including \$9.6 million general fund) for home based entitlement services, including personal assistance, home health, and hospice
- \$14.4 million for supplemental payments to nursing homes from the intergovernmental transfer program
- \$13.3 million total funds (including \$4.5 million general fund) for 2% annual provider rate increases
- \$3.0 million general fund to continue a one-time appropriation for community aging services
- \$2.1 million (including \$0.6 million general fund) for Medicaid nursing home and home and community waiver services increases

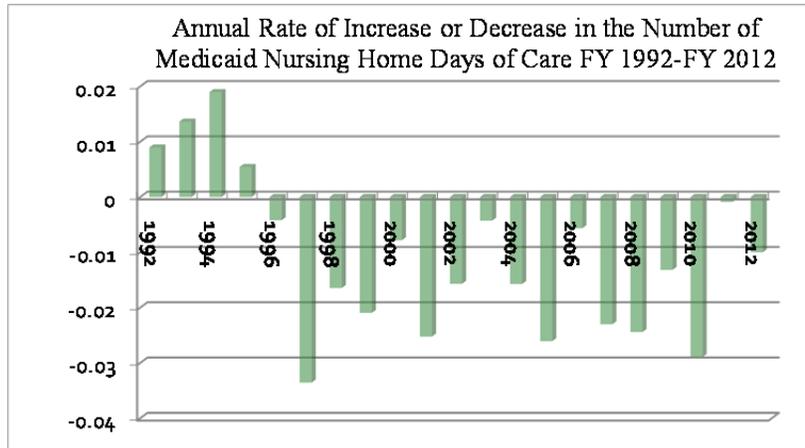
**Nursing Home Services**

As noted in the division overview, Medicaid nursing home services are the largest component of the SLTC budget. Nursing home services are projected to increase \$9.7 million over the biennium, primarily due to the proposed 2% annual provider rate increase. Continuation of present law services adds \$1.1 million total funds.

*Medicaid Nursing Home Costs*

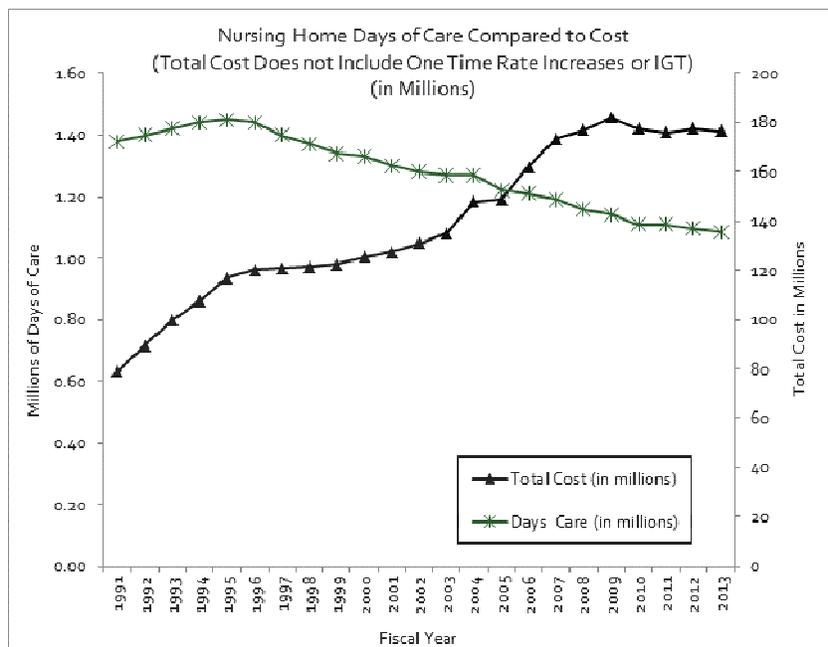
Since FY 1995 the days of Medicaid funded nursing home care have steadily declined, with annual rates of change varying from a reduction of just under one half of one percent to a reduction of 3.4%. Figure 6 shows year over year changes in the number of days of care funded by Medicaid.

**Figure 6**



Despite the decline in the number of days of care, until recently total cost has increased. Figure 7 shows the Medicaid funded days of care (left axis) compared to the total cost (right axis). The total cost does not include one time provider rate increases (each year from FY 2010 through FY 2012) and lump sum intergovernmental transfer payments (discussed later). Total cost began to decline in FY 2010. The recent annual average rate of decline in the number of bed days from FY 2008 through FY 2011 is -1.44%.

**Figure 7**



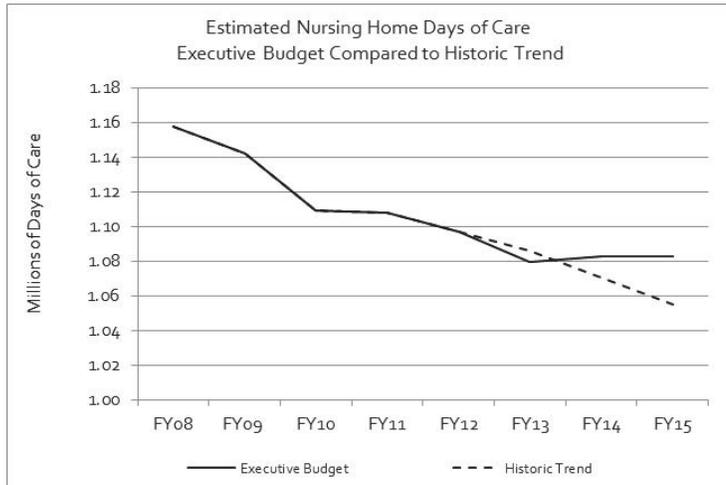
**Figure 8**

Figure 8 shows the executive estimate of Medicaid nursing home days of care compared to the recent annual trend (1.44% annual reduction). The executive budget anticipates a leveling off of the number of days of care. The historic trend produces a lower forecast and would be about \$5.3 million total funds (\$1.8 million state funds) lower than the caseload based on the historic trend (Figure 8).

There will be two more months of paid claims data available when the legislature meets and considers updated Medicaid forecasts (typically in February of a regular session). LFD staff will work with DPHHS staff to closely evaluate the trends in nursing home days of care for FY 2011 and FY 2012 to determine whether

historic declines are continuing. This information will be presented for legislative consideration.

#### New Proposal Could Help Lower Projected Nursing Home Costs

The executive budget includes a significant expansion of funding for Medicaid home based services for persons who need hospital or nursing home level of care – NP 22222 - Med Ben Personal Assistance Services Refinance. This new proposal would increase federal Medicaid matching funds by \$17.1 million over the biennium and is discussed in conjunction with other Medicaid community services later in the division overview. If the legislature approves an expansion in community services, it may wish to evaluate the impact of that expansion on the projected Medicaid funded days of care.

#### Potential for Medicare Funds to Offset a Portion of Montana Medicaid Nursing Home Costs

In a recent proposed settlement to a class action lawsuit (*Jimmo v. Sebelius*, Civil Action No. 5:11-CV-17-CR), the federal Department of Health and Human Services (HHS) clarified that Medicare funding for some services including nursing home services is not related to the presence or absence of an individual's potential for improvement from the skilled care, but rather on the beneficiary's need for skilled care. Previous to this settlement if a Medicare eligible individual needed skilled care, but the individual's medical condition was not likely to improve as a result of receiving the care, the services were not eligible for Medicare reimbursement.

The proposed settlement was filed on October 16, 2012. As part of the proposal, which the federal judge must still formally approve, HHS will revise its Medicare manual to clarify that Medicare coverage of skilled nursing and therapy services depends on whether or not the beneficiary needs skilled care.

**LFD  
ISSUE**Potential Medicaid Savings

If the proposed settlement for the Jimmo v. Sebelius lawsuit is accepted by the judge, it could result in Medicare covering some days of nursing home care and community services that have historically been funded by the Montana Medicaid program. Some cost savings would accrue from January 19, 2011 until the terms of the settlement are fully implemented. However, once the settlement is fully implemented, the savings to the Montana Medicaid program would be higher.

Most persons who are over the age of 65 or disabled and eligible for Medicaid are also eligible for Medicare. These persons have dual eligibility and are frequently referred to as dual eligibles.

Medicare covers the first 100 days of nursing home care for beneficiaries who are admitted after a qualifying hospital stay. The first 20 days of nursing home care are fully funded by Medicare, while beneficiaries must pay part of the cost of care for days 21 – 100. In the case of dual eligibles, Medicaid picks up the cost of care after the first 20 days for some persons or, if a beneficiary has personal assets, after the assets have been depleted.

LFD staff has requested that DPHHS provide the following information about nursing home services for consideration by legislators:

- For FY 2012
  - The number of persons admitted to nursing home care who:
    - Are also Medicare eligible
    - Entered the nursing home after a qualified hospital stay
    - Meet the level of care requirements for Medicare services
  - The average length of stay in nursing home services for persons meeting the criteria

If this type of detailed information is not readily available, the legislature may wish to ask DPHHS how it could estimate potential savings due to the change in Medicare reimbursement.

The legislature can consider this information when establishing the Medicaid nursing home appropriation. The legislature could:

- Estimate the savings that would occur under the proposed settlement
- Structure the appropriation in anticipation of an estimated implementation of the proposed settlement by:
  - Dividing the Medicaid nursing home appropriation into two separate appropriations:
    - The estimated savings
    - The remainder of the appropriation
  - Including language in HB 2 restricting the appropriation for the estimated savings amount
  - Adding language to HB 2 that the restricted appropriation could be used only if:
    - The settlement is not approved or
    - The settlement is approved, but nursing home costs exceed the balance in the non-restricted appropriation subject to approval by the Office of Budget and Program Planning

Also, LFD staff has requested that DPHHS evaluate potential savings in skilled therapy services provided to dual eligibles receiving Medicaid community services administered by SLTC and the Developmental Services, Health Resources, and Addictive and Mental Disorders divisions. LFD staff has requested that DPHHS clearly articulate the methodology used to develop the estimates and potential savings by Medicaid service for FY 2014 and FY 2015 in the following areas:

- Community based waiver services administered by SLTC, Developmental Services Division, and Addictive and Mental Disorders Division
- Home based services administered by SLTC
- Outpatient therapy services administered by the Health Resources Division

**LFD ISSUE CONT.** The legislature may wish to review the cost estimates and determine whether to apportion and restrict appropriations for these services in the same manner as discussed for nursing home services.

*Community Services*

In addition to nursing home services, SLTC administers Medicaid funded community services for aged, blind and disabled persons. Some of the services are entitlement services, meaning that there is no restriction on the number of persons enrolled or the number of services received.

However, enrollment in some Medicaid services can be capped or limited in other ways, if the Center for Medicare and Medicaid (CMS) grants a waiver from federal Medicaid regulation. CMS has granted Montana two waivers from federal requirements to provide services to elderly and disabled individuals to avoid institutionalization:

- o Big Sky Bonanza waiver – provides individuals of all ages who have chronic disabilities with services to maintain independence
- o Elderly and physically disabled waiver – targets recipients who have a physical disability, are 65 and older, and who meet the nursing home or hospital level of care requirements

**LFD ISSUE** Community Waiver Expansion – Historic and Executive Request

Figure 9 shows enrollment in the community waiver by type of eligibility and average cost per service slot from FY 2012 through the executive budget request for FY 2015. From FY 2010 through FY 2012, the legislature provided funding for 180 new service slots. Over that time period, DPHHS developed 162 of those slots and prior to FY 2012, DPHHS added an additional 114 service slots by transitioning individuals from nursing home services into the community and providing services to persons at risk of placement in a nursing home. Over that time period, waiver capacity expanded by 276 slots, an additional 272 persons received services, and the average cost per person served declined.

**Figure 9**

Home and Community Based Service Slots - Historic and Requested Expansion													
Fiscal Year	Service Slots at Start of FY	Legislatively Authorized Expansion	Slots Developed per Legis. Expans.	Additional Nursing Home Transitions	At Risk & High Cost	Total Service Slots	Elderly (Age 65+)	Cost Per Person	Disabled (Age 0 - 64)	Cost Per Person	Total Recipients	Annual Increase	
<u>Actual</u>													
FY10	1,765	80	80	38	7	1,890	1,384	\$12,920	1,010	\$17,354	2,394		
FY11	1,890	0	0	59	10	1,959	1,404	12,673	1,078	16,782	2,482	88	
FY12	1,959	<u>100</u>	<u>82</u>	<u>0</u>	<u>0</u>	2,041	1,409	12,315	1,139	15,944	2,548	66	
Sub-total Actual		180	<u>162</u>	<u>97</u>	<u>17</u>						2,666	<u>118</u>	
<u>Estimated/Planned</u>													
FY13	2,041	0	0	10	0	2,051	1,498	n/a	1,168	n/a	2,666		
FY14*	2,051	20	20	0	0	2,071	1,511	n/a	1,181	n/a	2,692	26	
FY15*	2,071	<u>25</u>	<u>25</u>	<u>0</u>	<u>0</u>	2,096	<u>1,525</u>	n/a	<u>1,200</u>	n/a	2,725	<u>33</u>	
Sub-total Est./Planned		<u>45</u>	<u>45</u>	<u>10</u>	<u>0</u>							59	

Notes:

- FY12 legislative expansion of 82 slots represents the appropriation for an additional 100 service slots.
  - FY12 costs and recipient count are incomplete as not all FY12 claims have been submitted.
  - Actual cost per person would depend on individual budget. FY10 - FY12 per person cost is based paid claims data as of 11/21/12.
  - FY13 - FY15 recipients are based on 1.3 people per service slot.
  - \*Expansion for FY13 - FY15 reflects Money Follows the Person estimates (part of NP - Med Ben Personal Assistance Services Refinance).
- Source: DPHHS, November 28, 2012.

**LFD ISSUE CONT.** LFD staff requested that DPHHS staff provide the following information for legislative consideration related to the FY 2012 legislative expansion:

- Why were there fewer slots developed than funded by the legislature?
- Why were there fewer people served than the number of service slots established?

The planned expansion of community waiver services for FY 2014 and FY 2015 is included in NP – Med Ben Personal Assistance Services Refinance, which is discussed in greater detail in the new proposal section of the Medicaid Services sub-program. A portion of the new proposal – a 5 year grant to implement a Money Follows the Person (MFP) demonstration to transition persons from facility based care to community services – started in FY 2013 and would transition 10 persons. LFD staff requested that DPHHS staff provide the number of anticipated transitions from nursing home services compared to transitions from other facility based care related to the FY 2013 – FY 2015 expansion of waiver services.

**LFD ISSUE** Integrated Plan for Nursing Home Services and Planned Expansions of Community Based Services

In addition to MFP transitions (\$3.1 million), the executive budget includes an additional \$14.0 million in federal funds to expand home based services (NP – Med Ben Personal Assistance Services Refinance) to maintain persons in their own homes or small residential settings. One of the eligibility criteria for these services is that a person must meet the level of care requirements for nursing home care. One of the assumed benefits in providing home based services is that it will prevent or shorten lengths of stay in facility based services, which are usually higher cost services compared to community alternatives.

In order to evaluate potential outcomes of the home and community based services expansion included in the executive budget, LFD staff has requested that DPHHS provide an integrated plan for legislative consideration that shows:

- The types of services to be funded by the expansion
- The additional number of persons that would be served
- The number of persons transitioned from facility based care by type of facility
- The anticipated savings in facility based care by type of care for those that are transitioned to community services

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	54,049,378	54,049,378	108,098,756	91.25%	242,421,503	242,421,503	484,843,006	88.55%
Statewide PL Adjustments	61,785	61,804	123,589	0.10%	123,644	124,653	248,297	0.05%
Other PL Adjustments	2,355,315	3,412,006	5,767,321	4.87%	13,996,296	18,100,383	32,096,679	5.86%
New Proposals	1,481,610	2,997,289	4,478,899	3.78%	11,515,646	18,827,133	30,342,779	5.54%
<b>Total Budget</b>	<b>\$57,948,088</b>	<b>\$60,520,477</b>	<b>\$118,468,565</b>		<b>\$268,057,089</b>	<b>\$279,473,672</b>	<b>\$547,530,761</b>	

The majority – 94% - of the 2015 biennium budget request funds continuation of current services. New proposals that expand community based services and fund a 2% annual provider rate increase add about 6% to total spending. General fund growth is due to projected increases in enrollment and service utilization for Medicaid services and the proposed provider rate increase. Federal funds increases are driven by Medicaid growth, provider rate increases, and a 6% increase in the federal Medicaid match rate for a new proposal to expand community based services.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					172,529					173,263
Vacancy Savings					(48,060)					(48,088)
Inflation/Deflation					(825)					(522)
<b>Total Statewide Present Law Adjustments</b>		<b>\$61,785</b>	<b>\$0</b>	<b>\$61,859</b>	<b>\$123,644</b>		<b>\$61,804</b>	<b>\$0</b>	<b>\$62,849</b>	<b>\$124,653</b>
DP 22201 - Med Ben Core Caseload Nursing Homes	0.00	192,064	0	377,353	569,417	0.00	181,542	0	355,884	537,426
DP 22202 - Med Ben Core FMAP Nursing Homes	0.00	(114,492)	0	114,492	0	0.00	(43,427)	0	43,427	0
DP 22203 - Med Ben Core Caseload Home Based	0.00	1,981,872	0	3,893,824	5,875,696	0.00	2,915,585	0	5,715,514	8,631,099
DP 22204 - Med Ben Core FMAP Home Based	0.00	(16,073)	0	16,073	0	0.00	6,165	0	(6,165)	0
DP 22205 - Med Ben Waiver Caseload SLTC HCBW	0.00	130,615	0	256,622	387,237	0.00	130,809	0	256,428	387,237
DP 22206 - Med Ben Waiver FMAP SLTC HCBW	0.00	(17,452)	0	17,452	0	0.00	551	0	(551)	0
DP 22207 - Med Ben Other HCHCW Annualization	0.00	180,814	0	355,250	536,064	0.00	181,082	0	354,982	536,064
DP 22208 - Med Ben Other NH IGT	0.00	0	2,209,963	4,341,959	6,551,922	0.00	0	2,650,410	5,195,680	7,846,090
DP 22209 - Med Ben Other FMAP NH IGT	0.00	0	(25,759)	25,759	0	0.00	0	(17,709)	17,709	0
DP 22219 - Contractual Adjustments	0.00	17,967	0	57,993	75,960	0.00	39,699	0	122,768	162,467
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,355,315</b>	<b>\$2,184,204</b>	<b>\$9,456,777</b>	<b>\$13,996,296</b>	<b>0.00</b>	<b>\$3,412,006</b>	<b>\$2,632,701</b>	<b>\$12,055,676</b>	<b>\$18,100,383</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$2,417,100</b>	<b>\$2,184,204</b>	<b>\$9,518,636</b>	<b>\$14,119,940</b>	<b>0.00</b>	<b>\$3,473,810</b>	<b>\$2,632,701</b>	<b>\$12,118,525</b>	<b>\$18,225,036</b>

DP 22201 - Med Ben Core Caseload Nursing Homes - This adjustment funds anticipated changes in the Medicaid nursing facility program. The executive budget anticipates a low growth rate for the 2015 biennium.

DP 22202 - Med Ben Core FMAP Nursing Homes - This proposal would adjust Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22203 - Med Ben Core Caseload Home Based - This proposal would fund anticipated caseload increases for Medicaid home based services, which include personal assistance, home health, and hospice. The adjustment adds about 5% per year for traditional personal assistance services, about 13% for mental health personal assistance services, and about 11% for hospice services per year from FY 2012 through FY 2015.

DP 22204 - Med Ben Core FMAP Home Based - This proposal would adjust Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22205 - Med Ben Waiver Caseload SLTC HCBW - This request adds funds to annualize the cost of nursing facility transition and diversions from institutional placements into community settings. 82 individuals transitioned at different times during FY 2012 from nursing facilities to home and community based waiver placements, resulting in less than a

full year of expenditures being included in the FY 2012 base year.

**LFD  
ISSUE**Documentation Supporting Request

Information documenting this budget addition was requested, but not provided by DPHHS. The legislature may wish to request the following information prior to acting on this appropriation request:

- The number of persons transitioned from nursing care
- The specific date that the persons transitioned from care

DP 22206 - Med Ben Waiver FMAP SLTC HCBW - This proposal would adjust Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22207 - Med Ben Other HCHCW Annualization - This decision package annualizes the Medicaid-funded health care for health care worker program and recognizes increases in health care insurance premiums and additional workers participating in this program.

**LFD  
ISSUE**Inflationary Provider Increase and Documentation Supporting Proposal Requested

The 2007 Legislature approved a provider rate increase to fund health insurance for direct care workers providing home based care. The rate increase was awarded as a rate increase to Medicaid contractors funding healthcare benefits for workers. The program has been in place since January 2009. There is no statute requiring DPHHS to fund such cost increases.

The narrative describing this present law adjustment notes that the increase is necessary to cover inflation in health insurance premiums. The effect of the adjustment is to provide a rate increase for employers who provide healthcare to direct care workers. DPHHS has not requested a specific increase to cover inflationary cost adjustments for any other Medicaid providers. Statute requires an increase for physicians and it is included as part of the present law adjustment for Medicaid services, which also supports cost growth due to enrollment increases and service utilization. The legislature may wish to ask DPHHS why this cost component is included as an inflationary increases while inflationary costs of other Medicaid providers are not routinely funded through present law adjustments

DP 22208 - Med Ben Other NH IGT - This request would fund the anticipated increase in IGT intergovernmental payments. The difference in the Medicaid rate and the Medicare upper payment limit (UPL) would allow a higher level of reimbursement compared to base year expenditures. The state match is provided by county governments.

**LFD  
ISSUE**Level of IGT Payments

The IGT is lump sum payment made to nursing homes near the end of the fiscal year. Counties that administer or manage county nursing home facilities can transfer county funds to DPHHS to be used to match federal Medicaid funds that are then passed back as Medicaid payments. IGT reimbursements are considered a one-time payment by the legislature to continue only so long as counties participate and federal regulations allow the funding mechanism to be used.

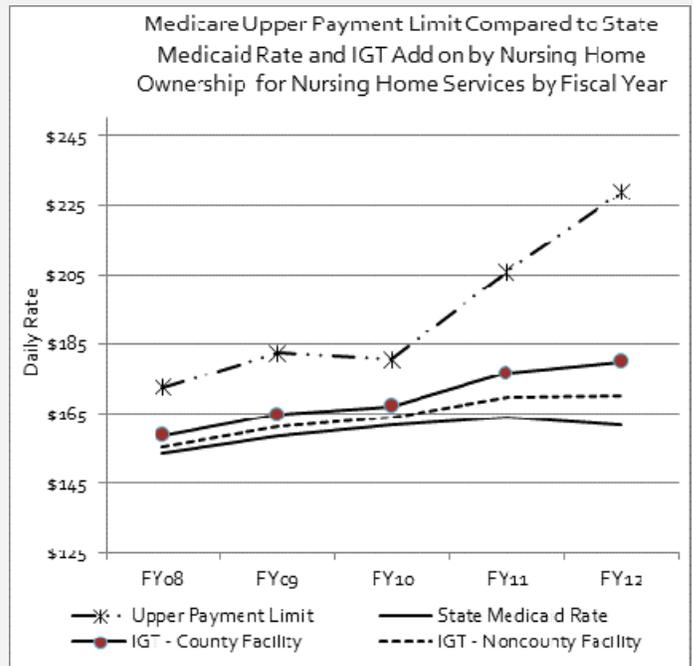
**LFD  
ISSUE CONT.**

In FY 2012 the number of county affiliated nursing facilities was 24 and the number of bed days used to allocate the IGT to these facilities was 169,624. The number of non-county facilities was 57 and the number of bed days used to allocate IGT to them was 837,724. IGT amounts are constrained by the difference between the state Medicaid rate and the allowable upper payment limit. The federal upper payment limit for Medicaid nursing home services is the Medicare rate for nursing home services. Figure 10 shows the state Medicaid rate compared to the upper payment limit. IGT payments are projected to increase since the upper payment limit is increasing more than the state Medicaid rate.

**Figure 10**

The IGT appropriation in the executive budget grows \$14.4 million over the biennium. This amount would be sufficient to fund an average rate increase of \$21 to \$22 per day based on the executive estimate of days of care. LFD staff requested information about how SLTC intends to administer the IGT payment. The response provided was: "The methodology and the distribution process will be the same as it has been since the start of this program." LFD staff also asked what the estimated lump sum payments and derived daily rate equivalent would be for the IGT program in the 2015 biennium. However, DPHHS did not provide the information.

The legislature may wish to request more data from DPHHS. It may also wish to evaluate the HB 2 language requested by DPHHS governing the use of the appropriation, including whether to restrict its use to IGT payments only and whether to provide guidance on the allocation of proceeds between county and noncounty facilities.



DP 22209 - Med Ben Other FMAP NH IGT - This proposal would adjust Medicaid services funding for the projected reduction in state Medicaid match rates. The state match rate will decrease to 33.73% in FY 2014 and an estimated 33.78% in FY 2015 compared to the FY 2012 base level of 33.79%.

DP 22219 - Contractual Adjustments - This request would provide additional funds for two contracts. One contract provides utilization review, level of care determinations, and prior authorization activities for programs in the division. Other costs provide for maintenance and enhancements to the Adult Protective Services computerized database used for tracking and reporting on abuse, neglect, and exploitation activities.

## New Proposals

Sub Program	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22222 - Med Ben Personal Assistance Services Refinance										
01	1.00	0	0	7,123,086	7,123,086	1.00	0	0	9,954,162	9,954,162
DP 22901 - PRI Med Ben Core Nursing Homes										
01	0.00	958,145	0	1,882,487	2,840,632	0.00	1,938,322	0	3,799,755	5,738,077
DP 22902 - PRI Med Ben Core Home Based Services										
01	0.00	276,720	0	543,679	820,399	0.00	559,804	0	1,097,401	1,657,205
DP 22903 - PRI Med Ben Waiver SLTC										
01	0.00	246,745	0	484,784	731,529	0.00	499,163	0	978,526	1,477,689
<b>Total</b>	<b>1.00</b>	<b>\$1,481,610</b>	<b>\$0</b>	<b>\$10,034,036</b>	<b>\$11,515,646</b>	<b>1.00</b>	<b>\$2,997,289</b>	<b>\$0</b>	<b>\$15,829,844</b>	<b>\$18,827,133</b>

**DP 22222 - Med Ben Personal Assistance Services Refinance** - This new proposal would help fund the DPHHS goal of rebalancing its long term services and supports system with increased use of home and community based care and decreased use of facility based care. This proposal targets the full spectrum of consumers, including elderly, individuals with developmental disabilities, people with physical disabilities, and adults with severe disabling mental illness. There are two separate programs rolled into this DP – Community First Choice – an optional Medicaid service, and Money Follows the Person – a 5 year demonstration grant.

Community First Choice (CFC), a provision of the Affordable Care Act, is a new Medicaid optional service, which assists and supports people with disabilities and the elderly to live independently. A state that adopts CFC receives a 6% increase in the federal Medicaid rate for CFC services on a permanent basis. Most, but not all, of the services required under CFC are also provided as part of the Medicaid personal assistance services option, which Montana currently offers.

Money Follows the Person (MFP) is a 5 year demonstration program where persons are transitioned from facilities to community services. Total federal funding available over the life of the demonstration is estimated to be \$11.3 million. DPHHS received federal approval for MFP and began implementation in the fall of 2012.

Figure 11 shows the changes made by this new proposal. The appropriations for Medicaid personal assistance and home health (\$46.3 million) are reallocated to CFC and MFP. Because the CFC option includes an enhanced federal Medicaid match rate (an extra 6%), the general fund reallocated from Medicaid personal assistance and home health services leverages \$17.1 million more in federal matching funds to provide community services for persons who meet the level of care requirements for nursing home or hospital services. A portion of the funding for Medicaid services is reallocated to pay for administration of the new program, including funding for 1.00 new FTE.

Figure 11

Total Change Included in DP 2222 Med Ben Personal Assistance Services Refinance						
Component	FY 2014 Executive Request			FY 2015 Executive Request		
	General Fund	Federal	Total	General Fund	Federal	Total
Community First Choice Admin	\$85,161	\$186,885	\$272,046	\$71,095	\$144,687	\$215,782
Community First Choice Services	10,634,110	27,996,566	38,630,676	14,942,735	39,241,560	54,184,295
Money Follows the Person Services	409,280	804,120	1,213,400	619,951	1,215,308	1,835,259
Reduction to Home Based Services	<u>(11,128,551)</u>	<u>(21,864,485)</u>	<u>(32,993,036)</u>	<u>(15,633,781)</u>	<u>(30,647,393)</u>	<u>(46,281,174)</u>
Annual Change	\$0	\$7,123,086	<u>\$7,123,086</u>	\$0	\$9,954,162	<u>\$9,954,162</u>
Total Biennial Change - Federal Funds						<u>\$17,077,248</u>

Funding in this new proposal would be used to pay for services for people who are moving into a community setting from:

- A nursing facility
- An intermediate care facility for people with developmental disabilities (Montana Developmental Center)

In addition, the new proposal would fund community services for:

- Youth with serious emotional disturbances (Medicaid programs administered by the Developmental Services Division - DSD)
- Adults with a serious and disabling mental illness (Medicaid and state facility services administered by the Addictive and Mental Disorders Division - AMDD)

The new proposal would pay for demonstration and supplemental services to augment basic services for 365 days for each individual who successfully transitions into the community using MFP demonstration funding. For instance, funds would be available to help pay for housing in the community.

The new proposal funds 1.00 FTE program specialist, who would be responsible for CFC provider agency enrollment, provider agency training, database system training, agency quality assurance review, and case management training. Additionally, this FTE would coordinate the on-going CFC stakeholder group and the cross-division (SLTC, AMDD, DSD) connection.

*Federal Requirements Related to Enhanced Match*

In order to qualify for the enhanced match, Montana must meet several specific requirements including:

- Developing the CFC benefit with the input of a stakeholder council that includes a majority of members with disabilities, elderly individuals, and their representatives
- Establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit
- Collecting and reporting information for federal oversight and the completion of a federal evaluation of the program
- For the first 12 month period, maintaining or exceeding the level of expenditures for home and community-based attendant services provided under the state Medicaid plan, waivers or demonstrations for the preceding 12 month period

*Persons Served*

Figure 12 shows the estimated number of persons served by MFP funding. The estimate was submitted as part of the demonstration grant application. Youth transitioning from psychiatric residential treatment facilities are expected to be the majority of persons served, followed by persons with a physical disability.

**Figure 12**

Money Follows the Person Demonstration Estimate of Number of Persons Served by Calendar Year						
Calendar Year	Elderly	Developmental Disability	Physical Disability	Mental Illness	Other*	Total
2012	0	0	0	0	0	0
2013	5	5	5	3	15	33
2014	10	5	10	7	30	62
2015	10	5	15	10	30	70
2016	<u>10</u>	<u>5</u>	<u>20</u>	<u>10</u>	<u>25</u>	<u>70</u>
Total	35	20	50	30	100	235
% of Total	14.9%	8.5%	21.3%	12.8%	42.6%	100.0%

\*Other is defined as youth with a serious emotional disturbance, transitioning from residential psychiatric facilities.

*Changing from Waiver to Entitlement Services*

The CFC option would change the category of some Medicaid services from waiver status to an entitlement. Under a Medicaid waiver enrollment and/or the amount and types of services provided can be limited. Under an entitlement, the state must provide medically necessary services to individuals meeting eligibility criteria. Waiver services typically have more budget certainty than entitlement services. LFD staff has asked DPHHS to provide information on the types of services that would become an entitlement as a result of implementing the CFC option as well as the types of actions that DPHHS could take to control

costs if the CFC costs exceed the appropriation.

<b>LFD ISSUE</b>	<u>Number of Persons Served</u>
<p>LFD staff requested comparable information on the number of persons expected to be served with CFC funding as part of the integrated plan for expansion of community based services and Medicaid funded nursing care cost that was discussed in the division overview. The information was not provided in time to be evaluated and included in the budget analysis. The legislature may wish to review the total number and eligibility of persons expected to be served in the expansion under CFC and MFP each fiscal year. The legislature may wish to consider whether the executive budget for the following services takes into account the savings that would be attributable to serving more persons in the community or potentially shortening their stay in a higher cost institutional setting due to CFC and MFP:</p> <ul style="list-style-type: none"> <li>○ Senior and Long Term Care                             <ul style="list-style-type: none"> <li>○ Nursing home services</li> </ul> </li> <li>○ Addictive and Mental Disorders                             <ul style="list-style-type: none"> <li>○ Montana State Hospital</li> <li>○ Montana Mental Health Nursing Care Center</li> </ul> </li> <li>○ Developmental Services Division                             <ul style="list-style-type: none"> <li>○ Children’s mental health Medicaid services</li> <li>○ Montana Developmental Center</li> </ul> </li> </ul>	

*CFC Administrative Costs*

The federal grant application submitted for this new proposal includes administrative costs that are different than those included in NP 2222. Figure 13 shows the administrative budget included in the federal grant application compared to the amount included in the executive budget request. The grant application estimates administrative costs of \$1.4 million compared to the executive budget request of about \$0.5 million.

**Figure 13**

CFC Administrative Cost Comparison		
Executive Budget and Federal Grant Application		
Source	FY 2014	FY 2015
<u>Executive Budget Request</u>		
FTE	1.00	1.00
Personal Services	\$64,005	\$63,881
Operating Costs	<u>208,041</u>	<u>151,901</u>
Total	272,046	215,782
General Fund Cost	85,161	71,095
<u>Federal Grant Application</u>		
FTE	4.00	4.00
Personal Services	282,489	282,489
Operating Costs	<u>523,140</u>	<u>332,390</u>
Total	805,629	614,879
Est General Fund Cost	<u>252,193</u>	<u>202,588</u>
General Fund Difference	\$167,032	\$131,493

DPHHS responded to an LFD staff request about the difference in administrative costs, noting that ongoing administrative costs related to CFC were included in the NP and that the grant application included administrative costs related to the 5 year MFP grant. The legislature may wish to review the information prior to taking action on this new proposal. The legislature may wish to include administrative costs for MFP in HB 2 or HB 4 (budget amendment bill).

DP 22901 - PRI Med Ben Core Nursing Homes - This new proposal would fund a 2% provider rate increase in each year of the biennium for nursing home services.

DP 22902 - PRI Med Ben Core Home Based Services - This new proposal new proposal would fund a 2% provider rate increase in each year of the biennium for home based entitlement services.

DP 22903 - PRI Med Ben Waiver SLTC - This new proposal would fund a 2% provider rate increase in each year of the biennium for Medicaid community based waiver services for elderly and physically disabled persons.

**Sub-Program Details****VETERANS SERVICES 02****Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	144.24	0.00	1.00	145.24	0.00	1.00	145.24	145.24
Personal Services	6,745,323	615,718	54,978	7,416,019	600,972	54,864	7,401,159	14,817,178
Operating Expenses	5,453,171	234,344	3,206	5,690,721	339,861	1,265,454	7,058,486	12,749,207
Equipment & Intangible Assets	110,038	0	0	110,038	0	0	110,038	220,076
Debt Service	86,083	(10,000)	0	76,083	(10,000)	0	76,083	152,166
<b>Total Costs</b>	<b>\$12,394,615</b>	<b>\$840,062</b>	<b>\$58,184</b>	<b>\$13,292,861</b>	<b>\$930,833</b>	<b>\$1,320,318</b>	<b>\$14,645,766</b>	<b>\$27,938,627</b>
State/Other Special	6,708,545	670,732	58,184	7,437,461	665,381	206,703	7,580,629	15,018,090
Federal Special	5,686,070	169,330	0	5,855,400	265,452	1,113,615	7,065,137	12,920,537
<b>Total Funds</b>	<b>\$12,394,615</b>	<b>\$840,062</b>	<b>\$58,184</b>	<b>\$13,292,861</b>	<b>\$930,833</b>	<b>\$1,320,318</b>	<b>\$14,645,766</b>	<b>\$27,938,627</b>

**Sub-Program Description***Montana Veterans' Home (MVH)*

The Montana Veterans' Home is a 105 bed licensed and certified skilled nursing facility located in Columbia Falls, providing all of the care that is typically found in any community nursing home. In addition to the nursing facility, MVH operates a 12 bed domiciliary unit. The domiciliary provides supervision and assistance in a residential setting to veterans who are able to meet their own self-care needs. Montana veterans are admitted if they are over 55 years of age or in need of care, and have had active service in the armed forces. Spouses of veterans may also be admitted if space is available. The FY 2012 average population was 98 residents in the skilled nursing program and 11 persons in the domiciliary. As is the case with most nursing facilities, the facility participates in the Medicaid and Medicare programs. In addition, MVH historically has been funded by charging members for their care at the facility based on their ability to pay. As of October 1, 2012 the federal Department of Veterans' Affairs contributed \$95.82 per day for the nursing facility and \$39.90 per day for the domiciliary each month.

*Eastern Montana Veterans' Home (EMVH)*

The Eastern Montana Veterans' Home operations are provided through a contract with a private provider. EMVH provides 80 skilled and intermediate nursing home beds, including 16 beds dedicated to Alzheimer or dementia residents. The Glendive Medical Center has been the independent contractor responsible for management and operation of the facility since the facility opened its doors in 1995. A SLTC employee located on site at the facility is responsible for monitoring contract compliance and serves as the liaison between the state, the contractor, and the VA. The EMVH average occupancy for FY 2012 was 61 residents or an occupancy rate of 76%.

*Southwest Montana Veterans' Home (SMVH)*

The 2011 Legislature approved construction of a new veterans' home in Butte. HB 296 authorized construction and allocated 1.2% of cigarette taxes through FY 2016 for construction of the home. The total construction cost is estimated to be \$13.8 million, with the state share of costs estimated to be \$4.8 million. Federal construction funds had not been appropriated as of November 15, 2012.

The 2015 biennium executive budget request includes a new proposal for startup costs. SMVH would be operated by a contractor with 1.00 SLTC FTE on site to provide contract monitoring and compliance. The SMVH campus will house a

60 bed state veterans' home developed with a community living design concept that consists of 5 cottages that will house 12 veteran residents each.

*Veteran's Homes Budget Discussion*

Veterans' services are 4% of the SLTC 2015 biennium budget request. Figure 14 shows the FY 2012 base budget compared to the executive budget request for each veterans' home.

MVH has the largest budget at \$10.8 million in FY 2015. Personal services costs increase about \$600,000 over the base expenditures, due to reinstatement of about \$418,000 annually in overtime, shift differential, and holidays worked, which is removed from base budget expenditures. The balance is due to pay increases granted during the interim and fully funding positions that were vacant during the base year. MVH operating costs increase due to inflationary adjustments.

MVH funding increases are predominantly from cigarette tax funding. Federal VA reimbursements increase about \$100,000 over the base budget in FY 2014 and about \$165,000 in FY 2015.

EMVH costs increase due to anticipated inflation in federal VA per diem reimbursements that are passed through to the contractor.

SMVH costs reflect anticipated start up in FY 2015. The facility capacity is 60 persons, and the executive budget anticipates that SMVH will serve 30 persons in the last half of the fiscal year.

*Legislative Audit*

During the 2011 legislative session, the House Administration Committee requested an audit of the veterans' homes during the 2011 legislative session due in part to questions raised in the LFD budget analysis concerning the relative cost of MVH compared to EMVH and similar facilities in the Flathead area. The Legislative Audit Division completed a performance audit June 2012 and concluded that:

- o The allocation of cigarette taxes between MVH and EMVH provided a greater subsidy to MVH residents and recommended that the legislature review the allocation of cigarette taxes between the two facilities
- o DPHHS should implement a cost containment plan at MVH that reduces costs

The audit identified operational changes at MVH that could be considered to achieve cost savings. Those changes are:

- o Seeking a reduction in the cost of workers' compensation insurance

**Figure 14**

Senior and Long Term Care Division - Veterans' Homes				
FY 2012 Costs, FY 2013 Appropriation and Revenues Compared to 2015 Biennium Budget Request				
Facility/ Cost/Funding	Actual FY 2012	Appropriation FY 2013	Executive Request FY 2014	Executive Request FY 2015
<b>Montana Veterans' Home</b>				
FTE	143.04	143.04	143.04	143.04
Personal Services	\$6,680,849	\$7,048,853	\$7,289,811	\$7,275,215
All Other	<u>3,293,033</u>	<u>3,614,281</u>	<u>3,449,607</u>	<u>3,520,761</u>
Total Cost	9,973,882	10,663,134	10,739,418	10,795,976
General Fund	0	0	0	0
State Special Revenue	6,438,740	7,799,850	7,099,860	7,095,224
Federal Special Revenue	<u>3,535,142</u>	<u>2,863,284</u>	<u>3,639,558</u>	<u>3,700,752</u>
Total Funding	9,973,882	10,663,134	10,739,418	10,795,976
Population*	109	100	106	106
Annual Cost Per Person	\$91,369	\$106,952	\$101,661	\$102,196
Cost Per Day	\$250	\$293	\$279	\$280
Annual Change		17.05%	-4.95%	0.53%
Annual Per Person Reimbursement				
State Special Revenue	58,984	78,233	67,208	67,164
Annual Change		32.63%	-14.09%	-0.07%
Federal Special Revenue	\$32,385	\$28,719	\$34,452	\$35,032
Annual Change		-11.32%	19.96%	1.68%
<b>Eastern Montana Veterans' Home</b>				
FTE	1.20	1.20	1.20	1.20
Personal Services	64,474	67,385	71,230	71,080
All Other	<u>2,356,259</u>	<u>2,575,542</u>	<u>2,424,029</u>	<u>2,458,392</u>
Total Cost	2,420,733	2,642,927	2,495,259	2,529,472
State Special Revenue	269,805	272,975	279,417	278,702
Federal Special Revenue	<u>2,150,928</u>	<u>2,369,952</u>	<u>2,215,842</u>	<u>2,250,770</u>
Total Funding	\$2,420,733	\$2,642,927	\$2,495,259	\$2,529,472
Population*	61	64	61	61
Annual Cost Per Person	\$39,992	\$41,334	\$41,034	\$41,596
Cost Per Day	\$110	\$113	\$112	\$114
Annual Change		3.36%	-0.73%	1.37%
Annual Per Person Reimbursement				
State Special Revenue	4,457	4,269	4,595	4,583
Annual Change		-4.2%	7.6%	-0.3%
Federal Special Revenue	35,535	37,065	36,439	37,013
Annual Change	n/a	4.31%	-1.69%	1.58%
<b>Southwest Montana Veterans' Home</b>				
FTE			1.00	1.00
Personal Services			54,978	54,864
All Other			<u>3,206</u>	<u>1,265,454</u>
Total Cost			58,184	1,320,318
State Special Revenue			58,184	206,703
Federal Special Revenue			0	<u>1,113,615</u>
Total Funding			58,184	1,320,318
Population**				30
Annual Cost Per Person			n/a	\$44,011
Cost Per Day			n/a	\$121
Annual Per Person Reimbursement				
State Special Revenue				6,890
Federal Special Revenue				37,121

\*The FY 2013 population is based on DPHHS estimates as of December 6, 2012 and the appropriation amounts are those included in HB 2.

\*\*The licensed capacity of SMVH is 60 persons. The 2015 biennium budget anticipates that the facility will commence operations mid way through FY 2015.

- Devising a more efficient method of laundering goods to reduce dependence on either full time employees or contracted services
- Negotiating with employee unions to seek the elimination of free employee meals as a component of the benefit package
- Reducing expenses for maintenance and repairs
- Reducing staffing to industry norms in the areas of food service, social services, and plant and operating
- Seeking economies in telephone and communication expenses

**LFD ISSUE** MVH Cost Containment Plan

DPHHS concurred with the audit recommendations. The legislature could ask DPHHS to discuss the cost containment plan for MVH that it developed to implement the audit recommendations. The legislature could consider whether it could make changes to the executive budget request based on the plan and could then evaluate the differential in the cigarette tax subsidy provided to residents of the veterans’ homes.

**Funding**

Veterans’ services are funded from:

- Federal VA per diem payments
- Payments by veterans for their care
- Cigarette tax state special revenue
- Medicare and Medicaid funds

As noted in the division overview, cash balances in the cigarette tax fund in excess of \$2.0 million at fiscal year end are transferred to the general fund.

**LFD ISSUE** Offset to Cigarette Tax Funding for MVH

MVH serves veterans and their spouses. Spouses pay for MVH services from personal resources, Medicare, insurance or Medicaid, which is recorded as state special revenue. The portion of state special revenue remains constant even though the executive budget for MVH costs of the facility rises about \$800,000 per year. The legislature may wish to discuss how DPHHS establishes MVH rates for persons who pay for those services. If the MVH rate is based on facility costs, then the revenue from self pay, insurance, and Medicaid would increase and the legislature could reduce reliance on the cigarette tax.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	0	0	0	0.00%	12,394,615	12,394,615	24,789,230	88.73%
Statewide PL Adjustments	0	0	0	0.00%	223,465	211,911	435,376	1.56%
Other PL Adjustments	0	0	0	0.00%	616,597	718,922	1,335,519	4.78%
New Proposals	0	0	0	0.00%	58,184	1,320,318	1,378,502	4.93%
<b>Total Budget</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$13,292,861</b>	<b>\$14,645,766</b>	<b>\$27,938,627</b>	

The majority of the Veterans’ Services 2015 biennium budget supports continuation of current services. The new proposal supports startup of the Southwest Montana Veterans’ Home, which had not yet received approval for federal construction funds as of November 15, 2012.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					486,469					455,550
Vacancy Savings					(289,271)					(288,041)
Inflation/Deflation					(184)					12,029
Fixed Costs					26,451					32,373
<b>Total Statewide Present Law Adjustments</b>		<b>\$0</b>	<b>\$223,465</b>	<b>\$0</b>	<b>\$223,465</b>		<b>\$0</b>	<b>\$211,911</b>	<b>\$0</b>	<b>\$211,911</b>
DP 22210 - Required Overtime/Holiday/Differential Pay	0.00	0	418,520	0	418,520	0.00	0	433,463	0	433,463
DP 22211 - Facility Inflation MVH	0.00	0	133,163	0	133,163	0.00	0	185,617	0	185,617
DP 22212 - Fed Authority for VA Per Diem MVH	0.00	0	(104,416)	104,416	0	0.00	0	(165,610)	165,610	0
DP 22213 - Fed Authority for VA Per Diem EMVH	0.00	0	0	64,914	64,914	0.00	0	0	99,842	99,842
DP 22218 - EMVH Rent Annualization Fund Switch	0.00	0	0	0	0	0.00	0	0	0	0
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$447,267</b>	<b>\$169,330</b>	<b>\$616,597</b>	<b>0.00</b>	<b>\$0</b>	<b>\$453,470</b>	<b>\$265,452</b>	<b>\$718,922</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$670,732</b>	<b>\$169,330</b>	<b>\$840,062</b>	<b>0.00</b>	<b>\$0</b>	<b>\$665,381</b>	<b>\$265,452</b>	<b>\$930,833</b>

DP 22210 - Required Overtime/Holiday/Differential Pay - This present law adjustment would fund overtime, holidays worked, differential pay, and the corresponding benefits for the Montana Veterans' Home personal services related to operating a facility with 24-hour staffing requirements. The funding includes support of aggregate positions, which are used to provide coverage for staff on sick leave or vacation. This request is funded from cigarette tax state special revenue. These expenses are zero-based and must be requested in full each biennium.

DP 22211 - Facility Inflation MVH - This present law adjustment funds inflationary increases in operations, medical and pharmacy costs. Figure 15 shows base expenditures, the adjusted base (including inflation for some) and other inflationary increases for FY 2014 and FY 2015 respectively by type of expenditure compared to total operating, equipment, and debt service costs. Inflation adjustments used in developing this request are different from inflation rates used to develop other state facility inflation adjustments. The issue is discussed in the agency overview.

Figure 15

MVH Inflation Increases to Adjusted Based Budget and Additional Inflation Requested								
Operating Cost	Base Budget	Adjusted Base Inflation	% Incr. from Base	<--- FY 2014 --->		<--- FY 2015 --->		
				Additional Inflation	% Incr. from Base	Additional Inflation	% Incr. from Base	
Contracted Services	\$397,870	\$0	0.0%	\$39,784	10.0%	\$39,784	10.0%	
Laboratory Testing	32,036	0	0.0%	1,922	6.0%	3,959	12.4%	
Laundry	133,884	0	0.0%	13,088	9.8%	13,088	9.8%	
Medical Services	87,096	0	0.0%	8,710	10.0%	8,710	10.0%	
Food Services Expense	10,928	0	0.0%	1,093	10.0%	1,093	10.0%	
Prescription Services	143,798	0	0.0%	14,680	10.2%	14,680	10.2%	
System Development	10,310	0	0.0%	825	8.0%	1,716	16.6%	
Clothing and Personal	6,551	0	0.0%	393	6.0%	810	12.4%	
Disposable Briefs	84,086	0	0.0%	4,204	5.0%	8,619	10.3%	
Medical and Hospital	130,702	0	0.0%	6,535	5.0%	13,397	10.3%	
Photo/Reproduction	11,367	0	0.0%	455	4.0%	928	8.2%	
Drugs	89,035	0	0.0%	4,452	5.0%	9,126	10.2%	
Paper/Non State	60,378	0	0.0%	3,019	5.0%	6,189	10.3%	
Meat	79,555	2,347	3.0%	3,978	5.0%	8,155	10.3%	
Dair	64,555	1,904	2.9%	3,228	5.0%	6,617	10.3%	
Produce	46,561	1,374	3.0%	2,328	5.0%	4,772	10.2%	
Bakery	16,425	485	3.0%	821	5.0%	1,683	10.2%	
Linens and Bedding	14,056	0	0.0%	703	5.0%	1,441	10.3%	
Grocery	229,780	6,779	3.0%	11,489	5.0%	23,552	10.2%	
Janitorial/Non State	38,096	0	0.0%	1,905	5.0%	3,905	10.3%	
Water and Sewage	37,980	0	0.0%	1,899	5.0%	3,893	10.3%	
Garbage and Trash	16,800	0	0.0%	1,680	10.0%	3,528	21.0%	
Buildings and Grounds	410,973	0	0.0%	10,000	2.4%	10,000	2.4%	
Maintenance Contracts	26,544	0	0.0%	3,982	15.0%	3,982	15.0%	
Taxes, Assessments	19,903	0	0.0%	1,990	10.0%	1,990	10.0%	
Principal Leases	4,091	0	0.0%	(7,368)	-180.1%	(7,368)	-180.1%	
Interest Leases	<u>1,113</u>	<u>0</u>	0.0%	<u>(2,632)</u>	-236.5%	<u>(2,632)</u>	-236.5%	
Sub-Total	2,204,473	12,889	0.6%	<u>133,163</u>	6.0%	<u>185,617</u>	8.4%	
Total Inflationary Increase				<u>\$146,052</u>		<u>\$198,506</u>		
Total Operating Costs	\$3,293,033	\$3,316,447		\$3,449,607		\$3,520,761		
Inflation as % of Total Operating Cost		0.4%		4.0%		5.6%		

DP 22212 - Fed Authority for VA Per Diem MVH - This request adds federal authority for the federal Veterans' Administration per diem rates that will be reimbursed for the domiciliary and nursing facility days of care at MVH in the 2015 biennium. VA per diem rates change on October 1st of each year, and this request estimates a 2% increase in the per diem payments in each year of the biennium. This funding shifts expenses from state special revenue (cigarette taxes) to federal funds. Over the biennium, state special revenue decreases by \$207,026 and federal revenue increases by a like amount.

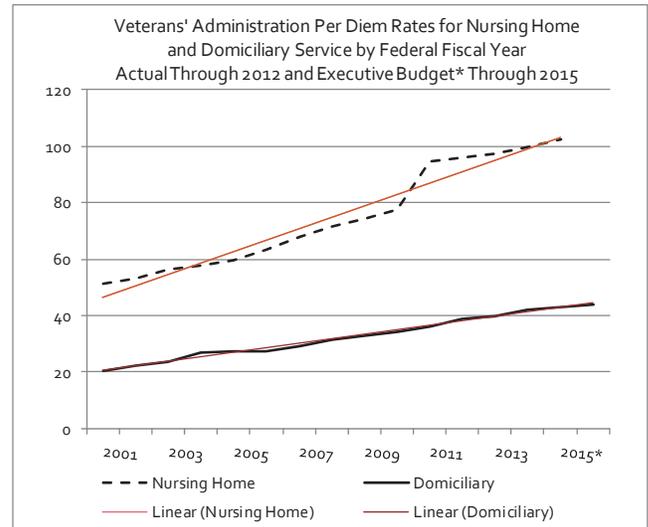
**LFD  
ISSUE**

Federal VA Per Diem Payments May be Higher than Estimated by the Executive

**Figure 16**

Federal VA per diem payments have increased an average of 5.75% from federal fiscal year (FFY) 2000 through 2012. The figure shows the actual per diem payments for nursing home and domiciliary care through FFY 2013 and projected per diem payments through FFY 2015 based on the historic trend of a 2.2% each year from the FFY 2013 base amount.

Veterans' homes receive additional payments for services provided to veterans who are 70% or more disabled. Those payments vary by the number of eligible veterans. The VA does not publish discrete values for those payments. While those payments are not included in the graph of historic VA per diem payment, they are included in average reimbursement in the following figure.



The historic trend projection for total federal VA payments (per diem and payments for disabled veterans) is higher than the executive budget request by about \$101,500 for MVH and by about \$58,000 for EMVH (see DP 22213 below). If the legislature adopts the historic trend scenario for federal reimbursements it would lower the cigarette tax funding required for support of MVH and EMVH and increase estimated cigarette tax reversions to the general fund by about \$159,000 over the biennium. The figure below shows the historic trend scenario compared to the executive budget request.

**Figure 17**

Comparison of Executive Budget and Historic Trend for Federal Veterans' Administration Reimbursement for Veterans' Homes			
Facility/Service/Estimate	Base		
	Amount	FY 2014	FY 2015
<u>Montana Veterans' Home</u>			
Nursing Facility Care	\$107.99		
Executive Budget		\$111.15	\$113.01
Historic Trend		<u>112.36</u>	<u>114.83</u>
Trend Over (Under) Exec.		\$1.21	\$1.82
Total Annual Difference		\$37,949	\$57,242
Domiciliary	\$41.61		
Executive Budget		\$43.16	\$43.98
Historic Trend		<u>43.29</u>	<u>44.24</u>
Trend Over (Under) Exec.		\$0.13	\$0.26
Total Annual Difference		\$2,112	\$4,176
<u>Eastern Montana Veterans' Home</u>			
Nursing Facility Care	\$107.93		
Executive Budget		\$111.19	\$112.94
Historic Trend		<u>112.29</u>	<u>114.76</u>
Trend Over (Under) Exec.		\$1.10	\$1.82
Total Annual Difference		<u>\$21,983</u>	<u>\$36,288</u>
Grand Total Annual Difference		<u>\$62,044</u>	<u>\$97,706</u>
Biennial Difference			<u>\$159,750</u>
*Federal VA reimbursement includes per diem payments and additional payments for veterans who are more than 70% disabled.			

DP 22213 - Fed Authority for VA Per Diem EMVH - This request adds federal authority for the federal Veterans' Administration per diem rates that will be reimbursed for the nursing facility days of care at Eastern Montana Veterans' Home (EMVH) in the 2015 biennium. The VA per diem rate increases effective October 1st of each year. This request is based on an estimated 2% annual increase. The federal VA payments are passed through to the contractor, who operates this facility.

DP 22218 - EMVH Rent Annualization Fund Switch - This proposal would fund the lease agreement between the federal Veterans' Administration and the state to pay for space occupied by the Community Based Outpatient Clinic at the Eastern Montana Veterans' Home. Base year costs were funded from cigarette tax revenues. This request is a fund switch to reduce state special revenue from cigarette tax and replace it with state special revenue from the lease payments made under this agreement by the Veterans' Administration.

**New Proposals**

Sub Program	FTE	Fiscal 2014				Fiscal 2015				
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds	
DP 22102 - Southwest Montana Veterans' Home										
02	1.00	0	58,184	0	58,184	1.00	0	206,703	1,113,615	1,320,318
<b>Total</b>	<b>1.00</b>	<b>\$0</b>	<b>\$58,184</b>	<b>\$0</b>	<b>\$58,184</b>	<b>1.00</b>	<b>\$0</b>	<b>\$206,703</b>	<b>\$1,113,615</b>	<b>\$1,320,318</b>

DP 22102 - Southwest Montana Veterans' Home - This request would fund ongoing operating costs, including 1.00 FTE state liaison, and the federal VA per diem revenue pass through for the Southwest Montana Veterans' Home (SMVH) in Butte. Federal budget legislation includes funding for 65% of the cost of construction for the facility, if the construction grant is approved during FY 2013. SMVH is a 60-bed cottage concept campus that will be operated as a contracted state veterans' home and requires that a state liaison be on site at the facility. The budget is based on the assumption that the facility will be completed by June 2014. Therefore, startup costs and maintenance funding of approximately \$150,000 would be necessary in FY 2015.

<b>LFD COMMENT</b>	Federal VA funding has been included in spending bills being considered by Congress. The legislature may wish to review the status of the potential federal appropriation. The legislature could make the appropriation contingent on receipt of federal funding for construction of SMVH if it approves the appropriation request.
--------------------	---

**Sub-Program Details**

**AGING SERVICES 03**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	11.00	0.00	0.00	11.00	0.00	0.00	11.00	11.00
Personal Services	490,804	170,624	0	661,428	170,077	0	660,881	1,322,309
Operating Expenses	359,277	373,692	0	732,969	381,210	0	740,487	1,473,456
Grants	8,665,823	1,707,333	1,500,000	11,873,156	1,949,706	1,500,000	12,115,529	23,988,685
Benefits & Claims	1,015,000	28,200	209,887	1,253,087	56,400	423,971	1,495,371	2,748,458
<b>Total Costs</b>	<b>\$10,530,904</b>	<b>\$2,279,849</b>	<b>\$1,709,887</b>	<b>\$14,520,640</b>	<b>\$2,557,393</b>	<b>\$1,923,971</b>	<b>\$15,012,268</b>	<b>\$29,532,908</b>
General Fund	4,160,429	76,389	1,709,887	5,946,705	110,144	1,923,971	6,194,544	12,141,249
Federal Special	6,370,475	2,203,460	0	8,573,935	2,447,249	0	8,817,724	17,391,659
<b>Total Funds</b>	<b>\$10,530,904</b>	<b>\$2,279,849</b>	<b>\$1,709,887</b>	<b>\$14,520,640</b>	<b>\$2,557,393</b>	<b>\$1,923,971</b>	<b>\$15,012,268</b>	<b>\$29,532,908</b>

### Sub-Program Description

The Office on Aging has been designated as the State Unit on Aging for the purposes of administering the Older Americans Act programs in Montana. The Office on Aging contracts with the "Aging Network", which consists of 10 Area Agencies on Aging (AAA), 34 county councils, 157 senior centers, 173 congregate meal sites, and 137 home delivered meal providers as well as other local providers serving Montana's elderly population 60 years and older. The Office on Aging develops the state plan on aging and approves service delivery plans and programs developed by the 10 AAA's located across Montana. Among the services provided by AAA are senior centers, Meals on Wheels, health services, transportation, public education, information and assistance, long-term care ombudsman, and other services.

### Aging Services Budget Overview

The 2015 biennium executive budget request is about \$8.5 higher than the base budget (doubled). The most significant changes are:

- \$4.4 million in additional federal grants for aging services
- \$3.0 million general fund to continue a one-time appropriation for aging services
- \$0.6 million general fund for a 2% annual provider rate increase

### Funding

Aging Services is funded by general fund and federal categorical grant funds.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	4,160,429	4,160,429	8,320,858	68.53%	10,530,904	10,530,904	21,061,808	71.32%
Statewide PL Adjustments	42,617	42,493	85,110	0.70%	170,465	169,971	340,436	1.15%
Other PL Adjustments	33,772	67,651	101,423	0.84%	2,109,384	2,387,422	4,496,806	15.23%
New Proposals	1,709,887	1,923,971	3,633,858	29.93%	1,709,887	1,923,971	3,633,858	12.30%
<b>Total Budget</b>	<b>\$5,946,705</b>	<b>\$6,194,544</b>	<b>\$12,141,249</b>		<b>\$14,520,640</b>	<b>\$15,012,268</b>	<b>\$29,532,908</b>	

The majority of the 2015 biennium budget request supports continuation of present law services. New proposals would continue a one-time general fund appropriation that has been authorized the last two biennia and would provide appropriation authority for federal grant increases.

### Present Law Adjustments

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these

items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					198,184					197,614
Vacancy Savings					(27,560)					(27,537)
Inflation/Deflation					(159)					(106)
<b>Total Statewide Present Law Adjustments</b>		<b>\$42,617</b>	<b>\$0</b>	<b>\$127,848</b>	<b>\$170,465</b>		<b>\$42,493</b>	<b>\$0</b>	<b>\$127,478</b>	<b>\$169,971</b>
DP 22214 - Aging Grant Funding	0.00	0	0	2,075,612	2,075,612	0.00	0	0	2,319,771	2,319,771
DP 22215 - State Supplemental Payments	0.00	33,772	0	0	33,772	0.00	67,651	0	0	67,651
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$33,772</b>	<b>\$0</b>	<b>\$2,075,612</b>	<b>\$2,109,384</b>	<b>0.00</b>	<b>\$67,651</b>	<b>\$0</b>	<b>\$2,319,771</b>	<b>\$2,387,422</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$76,389</b>	<b>\$0</b>	<b>\$2,203,460</b>	<b>\$2,279,849</b>	<b>0.00</b>	<b>\$110,144</b>	<b>\$0</b>	<b>\$2,447,249</b>	<b>\$2,557,393</b>

Statewide present law personal services adjustments include fully funding positions that were vacant during the base year and pay increases implemented by DPHHS during the 2013 biennium. None of the positions in the Aging Services program were vacant for a full year. However, there were several that were vacant at various times resulting in about a 10% vacancy rate (about \$52,000). Pay increases added about \$37,000 each year of the 2015 biennium

DP 22214 - Aging Grant Funding - This present law adjustment would add appropriation authority for anticipated federal grant increases for aging services. These grants are awarded as renewal contracts to the Area Agencies on Aging and are funded with 100% federal funds.

DP 22215 - State Supplemental Payments - This present law adjustment would add general fund to pay the anticipated cost of state supplemental payments for an additional 25 individuals, who will be moving from institutional disability services into the community each year of 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 the payments. The administrative fee is estimated to be \$11.12 in 2014 and \$11.30 in 2015 per payment.

<b>LFD COMMENT</b>	Information documenting this budget addition was requested, but not provided by DPHHS in time to be evaluated and included in the budget analysis. The legislature may wish to review historic information on the number of persons receiving supplemental payments prior to acting on this appropriation request.
--------------------	--

**New Proposals**

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22101 - Aging Services -OTO											
03	0.00	1,500,000	0	0	1,500,000	0.00	1,500,000	0	0	1,500,000	
DP 22904 - PRI - Aging Services											
03	0.00	209,887	0	0	209,887	0.00	423,971	0	0	423,971	
<b>Total</b>	<b>0.00</b>	<b>\$1,709,887</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,709,887</b>	<b>0.00</b>	<b>\$1,923,971</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,923,971</b>	

DP 22101 - Aging Services -OTO - This new proposal would continue \$1.5 million general fund in each year of the biennium to support aging programs administered by Area Agencies on Aging. The one-time funding was initially added by the 2009 Legislature and then continued as a one-time appropriation by the 2011 Legislature. A list of services that were funded by the \$1.5 million one-time general fund appropriation in the base budget year is listed in the appendix.

DP 22904 - PRI - Aging Services - This new proposal would fund a 2% provider rate increase in each year of the biennium for Aging Services in Senior and Long Term Care Division. The rate increase is funded entirely from the general fund.

<b>LFD ISSUE</b>	<u>Funding for Provider Rate Increase</u>
<p>The legislature may wish to request information about what portion of the provider rate increase could be funded from federal grant funds. While some federal categorical grants are included in potential sequestration action, any other federal grant increases might be available to fund all or part of a provider rate increase if the legislature authorizes one.</p>	

**Sub-Program Details**

**SLTC DIVISION ADMINISTRATION 04**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	4.50	0.00	0.00	4.50	0.00	0.00	4.50	4.50
Personal Services	350,086	2,922	0	353,008	4,288	0	354,374	707,382
Operating Expenses	65,937	7,309	0	73,246	15,073	0	81,010	154,256
<b>Total Costs</b>	<b>\$416,023</b>	<b>\$10,231</b>	<b>\$0</b>	<b>\$426,254</b>	<b>\$19,361</b>	<b>\$0</b>	<b>\$435,384</b>	<b>\$861,638</b>
General Fund	184,789	7,365	0	192,154	14,592	0	199,381	391,535
State/Other Special	59,899	427	0	60,326	631	0	60,530	120,856
Federal Special	171,335	2,439	0	173,774	4,138	0	175,473	349,247
<b>Total Funds</b>	<b>\$416,023</b>	<b>\$10,231</b>	<b>\$0</b>	<b>\$426,254</b>	<b>\$19,361</b>	<b>\$0</b>	<b>\$435,384</b>	<b>\$861,638</b>

**Sub-Program Description**

SLTC Division Administration provides oversight and administrative support for the division's other four divisions, including both Montana veterans' homes.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	184,789	184,789	369,578	94.39%	416,023	416,023	832,046	96.57%
Statewide PL Adjustments	1,318	1,943	3,261	0.83%	2,951	4,353	7,304	0.85%
Other PL Adjustments	6,047	12,649	18,696	4.78%	7,280	15,008	22,288	2.59%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$192,154</b>	<b>\$199,381</b>	<b>\$391,535</b>		<b>\$426,254</b>	<b>\$435,384</b>	<b>\$861,638</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					17,631					19,054
Vacancy Savings					(14,709)					(14,766)
Inflation/Deflation					29					65
<b>Total Statewide Present Law Adjustments</b>		<b>\$1,318</b>	<b>\$427</b>	<b>\$1,206</b>	<b>\$2,951</b>		<b>\$1,943</b>	<b>\$631</b>	<b>\$1,779</b>	<b>\$4,353</b>
DP 22216 - Motor Pool Car Request	0.00	2,092	0	373	2,465	0.00	2,092	0	373	2,465
DP 22217 - Private Lease Adjustment	0.00	3,955	0	860	4,815	0.00	10,557	0	1,986	12,543
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$6,047</b>	<b>\$0</b>	<b>\$1,233</b>	<b>\$7,280</b>	<b>0.00</b>	<b>\$12,649</b>	<b>\$0</b>	<b>\$2,359</b>	<b>\$15,008</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$7,365</b>	<b>\$427</b>	<b>\$2,439</b>	<b>\$10,231</b>	<b>0.00</b>	<b>\$14,592</b>	<b>\$631</b>	<b>\$4,138</b>	<b>\$19,361</b>

DP 22216 - Motor Pool Car Request - This request would fund replacement of three cars used by Adult Protective Services and Community Services field staff. The cars being replaced were department-owned vehicles in Billings, Kalispell, and Great Falls. These vehicles were older and high mileage vehicles that were surplus as a result of repairs exceeding the value of the vehicle.

DP 22217 - Private Lease Adjustment - This present law adjustment would fund work space for employees in non-state owned buildings located throughout the state. All requests for lease adjustments are discussed in the agency overview.

**Sub-Program Details**

**ADULT PROTECTIVE SERVICES 05**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	41.25	0.00	0.00	41.25	0.00	0.00	41.25	41.25
Personal Services	2,168,681	14,598	0	2,183,279	13,723	0	2,182,404	4,365,683
Operating Expenses	472,331	5,895	0	478,226	7,360	0	479,691	957,917
Equipment & Intangible Assets	1,055	0	0	1,055	0	0	1,055	2,110
Benefits & Claims	25,486	0	0	25,486	0	0	25,486	50,972
Debt Service	201	0	0	201	0	0	201	402
<b>Total Costs</b>	<b>\$2,667,754</b>	<b>\$20,493</b>	<b>\$0</b>	<b>\$2,688,247</b>	<b>\$21,083</b>	<b>\$0</b>	<b>\$2,688,837</b>	<b>\$5,377,084</b>
General Fund	1,949,201	20,126	0	1,969,327	20,695	0	1,969,896	3,939,223
State/Other Special	327,823	0	0	327,823	0	0	327,823	655,646
Federal Special	390,730	367	0	391,097	388	0	391,118	782,215
<b>Total Funds</b>	<b>\$2,667,754</b>	<b>\$20,493</b>	<b>\$0</b>	<b>\$2,688,247</b>	<b>\$21,083</b>	<b>\$0</b>	<b>\$2,688,837</b>	<b>\$5,377,084</b>

**Sub-Program Description**

Adult Protective Services (APS) provides for adult guardianships and investigates, intervenes or prevents elder abuse, neglect, or exploitation of Montana seniors and disabled citizens. APS also coordinates a variety of support services directed at protecting Montana’s vulnerable population. Services are provided by social workers and include:

- o Receiving and investigating reports of the abuse, neglect or exploitation of elderly, developmentally disabled, and disabled adults
- o Developing a case plan in cooperation with the client, including end of life decision making
- o Arranging for ongoing support services from other state, county, and local agencies
- o Assuming the role of court-ordered guardian, conservator, or surrogate decision maker, as agency of last resort, for those elderly and disabled who are unable to do so themselves

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	1,949,201	1,949,201	3,898,402	98.96%	2,667,754	2,667,754	5,335,508	99.23%
Statewide PL Adjustments	10,126	10,695	20,821	0.53%	10,493	11,083	21,576	0.40%
Other PL Adjustments	10,000	10,000	20,000	0.51%	10,000	10,000	20,000	0.37%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,969,327</b>	<b>\$1,969,896</b>	<b>\$3,939,223</b>		<b>\$2,688,247</b>	<b>\$2,688,837</b>	<b>\$5,377,084</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					105,568					104,654
Vacancy Savings					(90,970)					(90,931)
Inflation/Deflation					(4,105)					(2,640)
<b>Total Statewide Present Law Adjustments</b>		<b>\$10,126</b>	<b>\$0</b>	<b>\$367</b>	<b>\$10,493</b>		<b>\$10,695</b>	<b>\$0</b>	<b>\$388</b>	<b>\$11,083</b>
DP 22219 - Contractual Adjustments	0.00	10,000	0	0	10,000	0.00	10,000	0	0	10,000
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,000</b>	<b>0.00</b>	<b>\$10,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$10,000</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$20,126</b>	<b>\$0</b>	<b>\$367</b>	<b>\$20,493</b>	<b>0.00</b>	<b>\$20,695</b>	<b>\$0</b>	<b>\$388</b>	<b>\$21,083</b>

DP 22219 - Contractual Adjustments - This request would provide additional funds for two contracts. One contract provides utilization review, level of care determinations, and prior authorization activities for programs in the division. Other costs provide for maintenance and enhancements to the Adult Protective Services computerized database used for tracking and reporting on abuse, neglect, and exploitation activities.

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	619.86	619.86	619.86	619.86	619.86	619.86	0.00	0.00%
Personal Services	34,307,972	35,525,822	38,054,821	37,916,624	69,833,794	75,971,445	6,137,651	8.79%
Operating Expenses	12,039,834	13,522,662	13,118,460	13,862,524	25,562,496	26,980,984	1,418,488	5.55%
Equipment & Intangible Assets	107,460	45,420	107,460	107,460	152,880	214,920	62,040	40.58%
Grants	3,711,911	5,145,999	3,717,411	3,723,021	8,857,910	7,440,432	(1,417,478)	(16.00%)
Benefits & Claims	67,014,551	73,876,535	76,155,341	78,959,095	140,891,086	155,114,436	14,223,350	10.10%
Transfers	30,000	30,000	24,300	22,500	60,000	46,800	(13,200)	(22.00%)
Debt Service	69,607	67,598	117,623	117,623	137,205	235,246	98,041	71.46%
<b>Total Costs</b>	<b>\$117,281,335</b>	<b>\$128,214,036</b>	<b>\$131,295,416</b>	<b>\$134,708,847</b>	<b>\$245,495,371</b>	<b>\$266,004,263</b>	<b>\$20,508,892</b>	<b>8.35%</b>
General Fund	60,625,217	63,015,207	65,372,930	66,802,505	123,640,424	132,175,435	8,535,011	6.90%
State Special	12,573,861	14,801,412	15,540,896	15,823,814	27,375,273	31,364,710	3,989,437	14.57%
Federal Special	44,082,257	50,397,417	50,381,590	52,082,528	94,479,674	102,464,118	7,984,444	8.45%
<b>Total Funds</b>	<b>\$117,281,335</b>	<b>\$128,214,036</b>	<b>\$131,295,416</b>	<b>\$134,708,847</b>	<b>\$245,495,371</b>	<b>\$266,004,263</b>	<b>\$20,508,892</b>	<b>8.35%</b>

### Program Description

The Addictive and Mental Disorders Division (AMDD) 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 (MSH) in Warm Springs, Montana Chemical Dependency Center (MCDC) in Butte, and Montana Mental Health Nursing Care Center (MMHNCC) in Lewistown.

### Program Highlights

<b>Addictive and Mental Disorders Division Major Budget Highlights</b>	
◆	The Addictive and Mental Disorders Division budget 2015 biennium budget request is \$20.5 million higher than the 2013 biennium
◆	The major changes that the legislature will consider are: <ul style="list-style-type: none"> <li>• Annualization of Medicaid waiver services - \$8.2 million</li> <li>• Reinstatement of overtime, holiday, and shift differential pay for state mental health facility workers - \$5.1 million general fund</li> <li>• Inflationary increases in operating costs for state mental health facilities - \$2.5 million general fund</li> <li>• 2% annual provider rate increases - \$4.1 million total funds, including \$1.1 million general fund</li> </ul>

Major LFD Issues
<ul style="list-style-type: none"> <li>◆ There are changes to services provided by two state facilities administered by AMDD that are not included in the executive budget request that the legislature may wish to consider:               <ul style="list-style-type: none"> <li>• A wing of the Nursing Care Center was remodeled to contract with the Department of Corrections to care for prisoners needed nursing home level of care</li> <li>• 20.25 new modified level FTE were added to staff the facility</li> <li>• It will be paid through an administrative appropriation from funds appropriated to the Department of Corrections</li> <li>• The Montana Chemical Dependency Center will be restructured to become a Medicaid eligible facility, housed in a new building</li> </ul> </li> </ul>

**Program Narrative**

The AMDD 2015 biennium budget request is \$20.5 million higher than the 2013 biennium budget. However, the present law adjustments and new proposals that the legislature will consider total \$28.2 million because these changes are measured from the FY 2012 base budget, which is \$11.0 million lower than the FY 2013 appropriation.

The most noticeable difference between FY 2012 base expenditures and the FY 2013 appropriation is in benefits and claims (services for individuals who meet financial eligibility and, in some instances, disability criteria). Base expenditures are \$5.8 million lower, primarily in Medicaid mental health services, compared to the FY 2013 appropriation.

The major changes that the legislature will consider are:

- Medicaid enrollment and service utilization increases - \$15.0 million, including \$1.1 million general fund
- Reinstatement of state facility overtime, holiday, and shift differential pay that is zero based - \$6.0 million, including \$5.1 million general fund
- State facility inflation and operating costs - \$2.4 million general fund
- A 2% annual provider rate increase - \$1.4 million total funds, including \$0.6 million federal funds

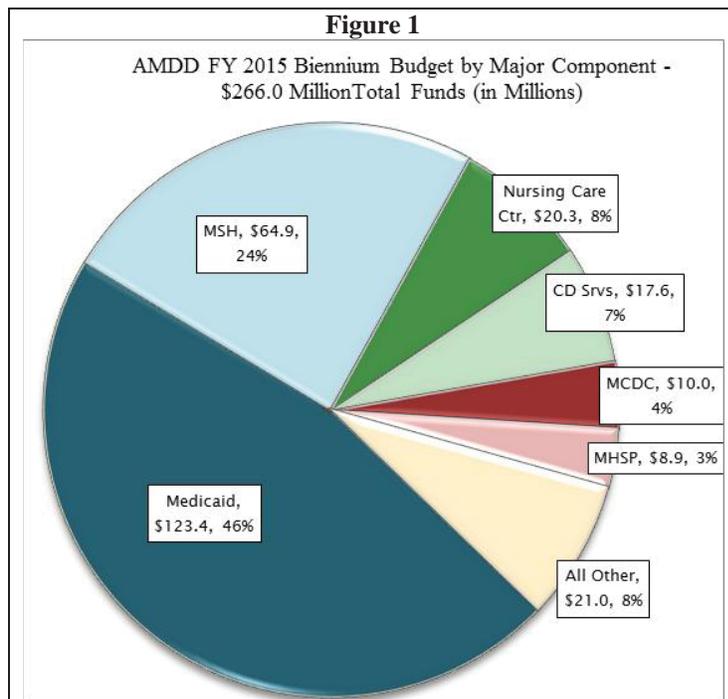
*AMDD Budget Components*

Figure 1 shows the major components of the 2015 biennium budget request. Medicaid services are the largest slice of the pie totaling \$123.45 million or 46%. MSH is just about one quarter of the budget followed by MMHNCC at 8%. The Mental Health Service Plan (MHSP), a state funded program, is about 3% followed by community chemical dependency (CD) services and MCDC. A table showing base budget expenditures compared to the 2015 biennium budget request can be found in the appendix.

**State Facility Costs**

Figure 2 shows the base budget and the FY 2013 appropriation compared to the 2015 biennium budget request for the three state facilities managed by AMDD. Overtime, holiday pay, and shift differential expenditures removed from the base budget are included in the table so that the annual budget amounts are more of an apples to apples comparison.

In total, the facilities budget request includes funding for almost 95% of AMDD division FTE and 64% 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 \$210,000 in FY 2015.



The two mental health facilities receive reimbursement for their services, which is deposited to the general fund. The facilities receive reimbursement from:

- Medicaid
- Medicare
- Insurance
- Indian Health Services
- Local governments (for mental health evaluations at MSH)
- Individuals receiving services at the facility

Figure 2

State Facilities Administered by AMDD				
Base Budget Compared to 2015 Biennium Budget Request				
Facility	Base Budget	Appropriation	Executive Request	
Cost/Funding	FY 2012	FY 2013	FY 2014	FY 2015
<b>Montana State Hospital</b>				
FTE	405.40	402.40	405.40	405.40
Personal Services	\$23,563,237	\$24,325,105	\$25,663,205	\$24,325,105
Zero Based Overtime*	3,045,707	0	0	0
All Other	<u>6,081,851</u>	<u>6,845,301</u>	<u>6,574,270</u>	<u>8,316,936</u>
Total	<u>\$32,690,795</u>	<u>\$31,170,406</u>	<u>\$32,237,475</u>	<u>\$32,642,041</u>
General Fund	\$32,492,090	\$30,722,591	\$32,098,732	\$32,642,041
State Special Rev.	198,705	447,815	138,743	138,743
General Fund Revenue	5,521,855	6,921,890	7,273,121	7,609,283
Average Population	155	155	155	155
Costs Per Person	\$211,577	\$201,737	\$208,643	\$211,262
Cost Per Day	\$580	\$553	\$572	\$579
Annual Change		-4.7%	3.4%	1.3%
<b>Mental Health Nursing Care Center</b>				
FTE**	119.21	119.21	119.21	119.21
Personal Services	\$5,745,738	\$5,805,855	\$6,221,173	\$6,183,935
Zero Based Overtime*	451,476	0	0	0
All Other	<u>3,391,052</u>	<u>3,700,801</u>	<u>3,845,914</u>	<u>4,085,581</u>
Total	<u>\$9,588,266</u>	<u>\$9,506,656</u>	<u>\$10,067,087</u>	<u>\$10,269,516</u>
General Fund	\$9,588,266	\$9,506,656	\$10,067,087	\$10,269,516
General Fund Revenue	2,859,977	3,182,385	3,807,204	4,272,868
Average Population	84	82	84	84
Cost Per Person	\$114,720	\$115,935	\$120,449	\$122,870
Cost Per Day	\$314	\$318	\$330	\$337
Annual Increase		1.1%	3.9%	2.0%
<b>Montana Chemical Dependency Center</b>				
FTE	54.65	54.65	54.65	54.65
Personal Services	\$2,611,189	\$3,094,466	\$3,538,038	\$3,525,736
Zero Based Overtime*	591,524	0	0	0
All Other	<u>1,300,984</u>	<u>1,321,001</u>	<u>1,452,123</u>	<u>1,452,064</u>
Total	<u>\$3,912,173</u>	<u>\$4,415,467</u>	<u>\$4,990,161</u>	<u>\$4,977,800</u>
State Special Rev.	\$3,912,173	\$4,415,467	\$4,990,161	\$4,977,800
Federal Funds	0	0	0	0
Average Population	41	56	41	41
Cost Per Person	\$96,311	\$79,003	\$122,850	\$122,546
Cost Per Day	\$264	\$216	\$337	\$336
Annual Change	9.1%	-18.0%	55.5%	-0.2%
<b>Total Division Facility Budget</b>				
FTE**	579.26	576.26	579.26	579.26
% of Division Total	93.5%	93.0%	93.5%	93.5%
General Fund	\$42,080,356	\$40,229,247	\$42,165,819	\$42,911,557
% of Division Total	73.7%	62.6%	64.5%	64.2%
Total Funds	<u>\$46,191,234</u>	<u>\$45,092,529</u>	<u>\$47,294,723</u>	<u>\$47,889,357</u>
Annual Change		-2.4%	4.9%	1.3%
General Fund Revenue	\$8,381,832	\$10,104,275	\$11,080,325	\$11,882,151

\*Zero based overtime costs are removed from base budget expenditures, but included in the total personal services amounts for FY13 - FY15.

\*\*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.

LFD  
ISSUE

**State Facility Inflation**

As noted in the DPHHS agency overview, inflation applied to state facility operating costs varies widely. The budget submission for each facility administered by AMDD includes a request to fund inflationary cost increases in such items as medical services, food, drugs, and laboratory testing. The inflation rate applied to cost categories is different – sometimes significantly different - for the same items. Figure 3 shows the different inflation rates used for various expenses.

When the legislature considers present law adjustments for AMDD state facility inflation it may wish to request that DPHHS address why inflation rates for the same types of costs vary among facilities. If the legislature wishes to approve requests for inflation adjustments, it could also consider whether to use standard inflation rates for the same cost similar to the methodology used for calculation of statewide present law adjustments.

**Figure 3**

Item	MSH	MMHCC	MCDC
Medical	21.6%	11.3%	7.4%
Food	7.8%	15.0%	1.0%
Prescription Services	7.8%	7.7%	3.5%
Drugs	9.1%	15.0%	n/a
Laboratory	9.1%	n/a	3.5%
Grocery	7.8%	n/a	n/a
Laundry	7.8%	n/a	n/a
Dentistry	n/a	n/a	1.7%

**Funding**

The following table shows program funding, by source for the 2015 biennium as recommended by the Governor.

Total Medicaid And Health Services Branch Funding by Source of Authority 2015 Biennium Budget - Addictive & Mental Disorders							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
<b>General Fund</b>	<b>\$132,175,435</b>	<b>\$0</b>	<b>\$0</b>	<b>\$132,175,435</b>	48.3%		
<b>State Special Total</b>	<b>\$31,364,710</b>	<b>\$0</b>	<b>\$7,488,244</b>	<b>\$38,852,954</b>	14.2%		
02034 Earmarked Alcohol Funds	\$12,569,375	\$0	\$3,821,174	\$16,390,549	6.0%	53-24-108	Pass Thru
02053 Medicaid Nursing Home Match	\$2,099,808	\$0	\$0	\$2,099,808	0.8%		
02384 02 Indirect Activity Prog 33	\$276,387	\$0	\$0	\$276,387	0.1%		
02394 Montana State Hospital Rev Acc	\$0	\$0	\$3,667,070	\$3,667,070	1.3%	90-7-221	Pass Thru
02691 6901-msh/doc Maint Agreement	\$277,486	\$0	\$0	\$277,486	0.1%		
02772 Tobacco Hlth & Mediced Initiative	\$15,159,166	\$0	\$0	\$15,159,166	5.5%		
02987 Tobacco Interest	\$982,488	\$0	\$0	\$982,488	0.4%		
<b>Federal Special Total</b>	<b>\$102,464,118</b>	<b>\$0</b>	<b>\$0</b>	<b>\$102,464,118</b>	37.5%		
03171 Data Infrastructure Development	\$188,410	\$0	\$0	\$188,410	0.1%		
03505 93.150 - Mntal Hlth - Homeless	\$606,034	\$0	\$0	\$606,034	0.2%		
03507 93.958 - Mntal Hlth - Blk Grt	\$2,276,723	\$0	\$0	\$2,276,723	0.8%		
03508 93.959 - Adad - Blk Grt 100%	\$13,553,167	\$0	\$0	\$13,553,167	5.0%		
03580 6901-93.778 - Med Adm 50%	\$1,994,807	\$0	\$0	\$1,994,807	0.7%		
03583 93.778 - Med Ben Fmap	\$83,334,433	\$0	\$0	\$83,334,433	30.5%		
03601 03 Indirect Activity Prog 33	\$510,544	\$0	\$0	\$510,544	0.2%		
<b>Total All Funds</b>	<b>\$266,004,263</b>	<b>\$0</b>	<b>\$7,488,244</b>	<b>\$273,492,507</b>	100.0%		
<b>Percent - Total All Sources</b>	<b>97.3%</b>	<b>0.0%</b>	<b>2.7%</b>				

AMDD is funded by general fund, state special revenue, and federal funds. General fund supports:

- State adult mental health facility costs
- State Medicaid match
- Some adult mental health community services
- Community chemical dependency group home services for adults with methamphetamine and other addictions

**LFD  
ISSUE**

Impact of the Patient Protection and Affordable Care Act (ACA)

As noted in the agency overview, ACA requires certain changes to Medicaid eligibility and establishes a new optional category of Medicaid eligibility for nondisabled, non-pregnant adults 19 – 64. (The executive budget implements this optional expansion – LC0900.) Medicaid eligibility changes mandated by ACA will increase Medicaid enrollment at the margin. However, Medicaid enrollment would grow even more if the legislature approves the optional Medicaid expansion.

AMDD administers several state funded programs that serve low income adults. There will be cost savings in those programs as persons become newly eligible for Medicaid, with greater savings attributable to the executive proposal to expand Medicaid.

The state funded AMDD programs that could see state fund savings are:

- o Mental Health Services Plan (MHSP)
- o Community chemical dependency services
- o State facility services
- o 72 hour community mental health crisis services
- o Community mental health crisis jail diversion services
- o Goal 189 services

Figure 4 shows the executive budget general fund cost of some of the services. The AMDD budget request does not identify nor include funding changes for either the Medicaid eligibility changes mandated by ACA or the executive proposal to expand Medicaid eligibility. DPHHS provided some information supporting LC0900, a bill to implement the optional Medicaid expansion, which shows \$9.0 million in general fund savings over the 2015 biennium. However, the documentation does not identify the program expenditures considered in the cost savings and it does not identify the savings that would occur due to mandated eligibility changes.

**Figure 4**

AMDD General Fund Mental Health Services and Executive Estimate of Optional Medicaid Expansion Savings			
Program/Service	FY 2012	FY 2014	FY 2015
MHSP	\$5,552,252	\$5,727,996	\$5,552,607
72 Hour Crisis Services	1,445,551	1,445,551	1,445,551
Goal 189	372,550	656,420	940,290
Jail Diversion Secure Beds	<u>230,450</u>	<u>235,059</u>	<u>239,760</u>
Total	\$7,600,803	\$8,065,026	\$8,178,208
MHSP Savings LC0900 (Optional Medicaid Eligibility Expansion)		(\$3,508,615)	(\$5,470,786)

The legislature may wish to request that AMDD provide the detail used to develop estimated cost savings under the executive proposal to adopt the optional Medicaid expansion as well as cost savings to these programs due to the Medicaid eligibility changes required by ACA.

State special revenue fund sources and their uses are:

- o Alcohol tax:
  - o State adult chemical dependency facility costs
  - o Community chemical dependency services
  - o State Medicaid match for chemical dependency services

- Statutory appropriation for chemical dependency services
- Health and Medicaid tobacco tax state special initiatives:
  - State Medicaid match for adult mental health and chemical dependency services

Major federal revenue sources are:

- Medicaid matching funds for adult mental health and chemical dependency services
- Substance abuse block grant fund
- Mental health block grant
- Grant funds to address homeless persons with a severe and disabling mental illness
- Funds to evaluate mental health needs of nursing home residents

*Alcohol Tax Fund Balance*

Figure 5 shows the alcohol tax state special revenue fund balance for the 2013 biennium budget compared to the executive request. The executive budget spending request exceeds the revenues available in both years of the 2015 biennium. Expenditure requests exceed revenues by about \$240,000 in FY 2014 and about \$75,000 in FY 2015.

**Figure 5**

Earmarked Alcohol Tax Revenue - 2013 Biennium Budget Compared to 2015 Budget Request					
Revenue/Expenditures	Base	Appropriation	Executive Request	% of	
Fund Balance	FY 2012	FY 2013**	FY 2014	FY 2015	Total
Beginning Balance	\$714,719	\$1,220,439	\$134,283		\$0
<b>Revenues*</b>					
Liquor License	5,850,168	6,241,000	6,609,000	7,007,000	76.6%
Beer Tax	915,225	944,000	949,000	954,000	10.4%
Wine Tax	963,075	988,000	1,021,000	1,052,000	11.5%
DPHHS Cost Recovery	134,283	134,283	134,283	134,283	1.5%
Total Revenue	<u>7,862,751</u>	<u>8,307,283</u>	<u>8,713,283</u>	<u>9,147,283</u>	100%
Annual Percent Change		5.7%	4.9%	5.0%	
Total Funds Available	8,577,470	9,527,722	8,847,566	9,147,283	
<b>Disbursements</b>					
Chemical Dependency Cntr (MCDC)	3,912,173	4,295,267	4,990,161	4,977,800	54.0%
Distribution to Counties***	1,436,532	1,634,600	1,715,800	1,802,600	19.5%
Services for Dually Diagnosed***	474,055	539,418	566,214	594,858	6.5%
CD Benefits - nonMedicaid	487,256	618,923	487,256	487,256	5.3%
CD Medicaid Services/Admin.	469,558	210,875	469,558	469,558	5.1%
Cost Allocated Administration	357,125	376,830	416,132	449,197	4.9%
CD Operations	287,846	248,761	343,796	343,990	3.7%
Quality Assurance-Licensure	72,007	70,945	70,463	71,040	0.8%
Department of Corrections-Pine Hills	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	<u>25,523</u>	0.3%
Total Disbursements	7,522,075	8,021,142	9,084,903	9,221,822	100%
Distribution to Counties - Ending Balance	0	1,372,297	0	0	
Adjustments****	<u>165,044</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Spending Reductions to Balance	<u>0</u>	<u>0</u>	<u>(237,337)</u>	<u>(74,539)</u>	
Ending Fund Balance	<u>\$1,220,439</u>	<u>\$134,283</u>	<u>(\$0)</u>	<u>\$0</u>	

\*Revenue for liquor, beer, and wine taxes are based on LFD staff estimates presented to the Revenue Oversight and Transportation Interim Committee on November 19, 2012. Revenue for DPHHS cost recovery uses DPHHS estimates.

\*\* FY 2013 budgeted amounts are based on 2011 legislative appropriations, except indirect costs, which are based on historic trends.

\*\*\*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. Any fund balance remaining at fiscal year end, is 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 three statutory appropriations made from the alcohol taxes allocated to DPHHS:

- 26.6% of the revenue for distribution as grants to state approved public or private alcoholism programs
- 6.6% of total revenue for treatment of persons with alcoholism who also have a mental illness
- The fund balance remaining at fiscal year end for distribution to state approved programs

## LFD ISSUE

### Budget Items not Included in Executive Request for Alcohol Funds

There are some items in the executive request that would normally be funded from the alcohol state special revenue account that are not due to funding constraints:

- Present law adjustments for:
  - Medicaid enrollment and service utilization increases for chemical dependency services
  - Federal Medicaid match rate changes
- New proposal for an annual 2% provider rate increase for Medicaid chemical dependency services

#### *Medicaid Enrollment and Utilization*

Medicaid caseload growth and state Medicaid match rate changes for chemical dependency are instead funded from the health and Medicaid initiatives state special revenue in the executive budget, which appears to be an illegal use of funds from the account. Statute (53-6-1201(c), MCA) includes this restriction:

- “The increased revenue is intended to increase Medicaid services and Medicaid provider rates and not to supplant the general fund in the trended traditional level of appropriation for Medicaid services and Medicaid provider rates.”

While this statute is silent with respect to supplanting state special revenue (such as alcohol tax funds), it does signal the intent that the health and Medicaid initiatives account should not supplant spending for present law services.

#### *Provider Rate Increase*

The executive budget does not include a request to fund a 2% annual provider rate increase for Medicaid funded chemical dependency services. That omission is inconsistent compared to the treatment of nearly all other Medicaid services delivered by Montana medical providers where the executive budget includes a 2% annual provider rate increase. A 2% annual a rate increase for these services would cost \$127,655 in total funds and require a state match of \$29,006.

#### *Federal Substance Abuse Block Grant*

The other major funding source for chemical dependency services is the federal substance abuse block grant. In the past, AMDD has used the block grant for both community services and to fund a portion of MCDC operating costs. The 2015 biennium executive budget funds MCDC entirely out of alcohol tax funding.

#### *Legislative Options*

There are several options that could be considered by the legislature if it wishes to fund present law adjustments from alcohol taxes and if it wishes to consider funding a 2% provider rate increase consistent with other Medicaid service providers:

- Fund a portion of MCDC costs with the increases requested in the federal substance abuse block grant
- Review the MCDC budget request and determine where reductions could be made to balance spending and revenues from the alcohol state special revenue account
- Evaluate whether mandatory changes to Medicaid eligibility included in the Patient Protection and Affordable Care Act will result in net cost savings or increases to chemical dependency programs

Also, there may be some savings in alcohol tax support for MCDC since DPHHS will reconfigure the facility so that its services are eligible for Medicaid reimbursement. This subject is discussed in greater detail in the following issue.

**LFD  
ISSUE**MCDC to Become Eligible for Medicaid Reimbursement

Services provided by MCDC are not eligible for Medicaid reimbursement due to the size of the facility. However, MCDC will be reconfigured to allow its services to be Medicaid eligible by converting to 3 facilities, each with 16 beds. Unlike other state facilities, AMDD leases a building to provide MCDC services. A private contractor will build the new 16 bed facilities and lease them back to AMDD. While there is a request for increased lease payments in the executive budget, there are no references to the anticipated changes for configuration of MCDC services and the issue was not discussed with the Legislative Finance Committee during the 2013 biennium interim.

*Facility Reimbursements*

MSH and MMHNCC, the other state facilities administered by AMDD, are funded almost entirely from the general fund. Reimbursements for MSH and MMHNCC services are deposited as revenue to the general fund.

It is unclear how MCDC Medicaid reimbursements would be managed. If Medicaid reimbursements are deposited to the general fund, they would not offset the alcohol tax state special revenue that funds the facility.

Another model that the legislature could consider is that of the Montana Veterans' Home (MVH) administered by the Senior and Long Term Care Division. Medicaid reimbursements are budgeted as one of the funding sources that support MVH services. If the legislature directly appropriated the federal Medicaid reimbursements to MCDC, it would free up alcohol tax state special revenue to be used for other purposes.

*2011 Legislative Session*

The Human Services Joint Appropriation subcommittee requested that DPHHS suggest a plan that would allow MCDC services to be Medicaid eligible. Some of the ideas discussed were:

- The possibility of constructing one or more smaller facilities that would be Medicaid eligible
- The potential to locate one or more of the smaller facilities in different geographic regions of the state
- The potential that a smaller facility would provide more medically intensive services and that some current MCDC services could be shifted to community providers

The subcommittee discussion did not result in legislation or binding direction to DPHHS.

*Other Information*

Legislative staff requested information about the planned changes to MCDC. Information was not received in time to be evaluated and included in the budget analysis. The legislature may wish to review the following information prior to taking action on budget items related to MCDC:

- Are there specific actions besides reconfiguring MCDC to 16 bed facilities that have been taken or that are planned that will allow MCDC services to be eligible for Medicaid reimbursement?
- Will staffing requirements for the reconfigured facilities be the same as the current single facility?
- What cost changes will occur for the facilities as a result of the reconfiguration?
- Where will the 3 facilities be located?
- How will federal Medicaid reimbursement for MCDC services be managed?
- How will the executive proposal to expand Medicaid eligibility affect Medicaid reimbursement for MCDC services?
- Can the federal substance abuse block grant be used to fund MCDC services that would not be eligible for Medicaid reimbursement?
- What contractual obligations has DPHHS entered into as a result of the anticipated change to the facility?
- At what date does DPHHS anticipate that MCDC will be eligible to receive Medicaid reimbursement?

<b>LFD ISSUE</b>	<p><u>Federal Sequestration</u></p> <p>Without Congressional action, automatic reductions will be made to various federal funding sources, including some that support AMDD services. If federal grant funding for AMDD functions is reduced, the legislature may wish to request that DPHHS provide detailed information on the effect of these reductions including:</p> <ul style="list-style-type: none"> <li>○ The specific grant subject to reduction</li> <li>○ The amount of reduction by grant by fiscal year</li> <li>○ The specific actions DPHHS will take to implement the grant reductions</li> <li>○ The impacts of those actions</li> </ul> <p>This issue is also discussed in the agency overview.</p>
----------------------	---

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	60,625,217	60,625,217	121,250,434	91.73%	117,281,335	117,281,335	234,562,670	88.18%
Statewide PL Adjustments	280,421	193,888	474,309	0.36%	786,257	684,871	1,471,128	0.55%
Other PL Adjustments	4,113,365	5,268,468	9,381,833	7.10%	11,377,543	13,503,378	24,880,921	9.35%
New Proposals	353,927	714,932	1,068,859	0.81%	1,850,281	3,239,263	5,089,544	1.91%
<b>Total Budget</b>	<b>\$65,372,930</b>	<b>\$66,802,505</b>	<b>\$132,175,435</b>		<b>\$131,295,416</b>	<b>\$134,708,847</b>	<b>\$266,004,263</b>	

The majority of the executive budget request supports continuation of present law services. Just under 2% of the request funds new proposals for a 2% annual provider rate increase and an increase in federal substance abuse block grant funds. General fund present law adjustments support adult mental health state facility cost increases, reinstatement of overtime pay that is zero based, and pay increases granted by DPHHS in FY 2012 as well as increases in Medicaid enrollment and service utilization growth for adult mental health.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----					-----Fiscal 2015-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					2,196,951					2,065,730
Vacancy Savings					(1,460,233)					(1,454,915)
Inflation/Deflation					(40,406)					(7,160)
Fixed Costs					89,945					81,216
<b>Total Statewide Present Law Adjustments</b>		<b>\$280,421</b>	<b>\$490,140</b>	<b>\$15,696</b>	<b>\$786,257</b>		<b>\$193,888</b>	<b>\$474,397</b>	<b>\$16,586</b>	<b>\$684,871</b>
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189)	0.00	283,870	0	0	283,870	0.00	283,870	0	0	283,870
DP 33103 - Med Ben Waiver Annualization MHSP (HIFA)	0.00	(470,860)	1,635,220	2,991,752	4,156,112	0.00	(470,860)	1,679,310	2,947,662	4,156,112
DP 33104 - Med Ben Waiver FMAP Adult Mental Health	0.00	0	(9,762)	9,762	0	0.00	0	(4,600)	4,600	0
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	821,267	74,611	1,760,149	2,656,027	0.00	1,263,675	113,336	2,699,398	4,076,409
DP 33201 - Med Ben Federal Caseload Adult Mental Health	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 33300 - Required Overtime/Holiday/Differential MCDC	0.00	0	438,229	0	438,229	0.00	0	438,229	0	438,229
DP 33301 - Required Overtime/Holiday/Differential MSH	0.00	2,055,361	0	0	2,055,361	0.00	2,055,361	0	0	2,055,361
DP 33302 - Required Overtime/Holiday/Differential MMHNCC	0.00	516,541	0	0	516,541	0.00	504,247	0	0	504,247
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	(12,048)	(3,594)	15,642	0	0.00	2,489	742	(3,231)	0
DP 33501 - Private Lease Adjustment MCDC	0.00	0	108,877	0	108,877	0.00	0	108,877	0	108,877
DP 33502 - Private Lease Adjustment Division Admin.	0.00	13,936	2,319	7,569	23,824	0.00	19,212	3,174	10,433	32,819
DP 33601 - MCDC Facility Operating Inflation	0.00	0	33,404	0	33,404	0.00	0	36,980	0	36,980
DP 33602 - Montana State Hosp Facility Operating Inflation	0.00	466,215	0	0	466,215	0.00	947,655	0	0	947,655
DP 33603 - MMHNCC Facility Operating Inflation	0.00	439,083	0	0	439,083	0.00	662,819	0	0	662,819
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,113,365</b>	<b>\$2,279,304</b>	<b>\$4,984,874</b>	<b>\$11,377,543</b>	<b>0.00</b>	<b>\$5,268,468</b>	<b>\$2,376,048</b>	<b>\$5,858,862</b>	<b>\$13,503,378</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,393,786</b>	<b>\$2,769,444</b>	<b>\$5,000,570</b>	<b>\$12,163,800</b>	<b>0.00</b>	<b>\$5,462,356</b>	<b>\$2,850,445</b>	<b>\$5,875,448</b>	<b>\$14,188,249</b>

**Program Personal Services Narrative**

Statewide present law adjustments add a net increase of \$1.5 million over the biennium. The majority of the statewide present law adjustment funds pay increases granted in late FY 2012, which add \$2.4 million to the 2015 biennium budget request. Pay increases implemented by the executive in FY 2012 are discussed in the DPHHS overview.

Other adjustments such as workers' compensation costs and reclassification of positions due to changes in duties add about \$1.4 million. The remainder of personal services costs provides full funding for positions that were vacant during FY 2012. Vacancy savings offsets all but \$1.5 of the personal services increases.

**New Proposals**

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 33803 - Substance Abuse Prevention Treatment Grant	33	0.00	0	0	488,561	488,561	0.00	0	0	488,561	488,561
DP 33901 - PRI Med Ben Waiver AMDD	33	0.00	0	102,377	201,142	303,519	0.00	0	207,108	406,001	613,109
DP 33902 - PRI Med Ben Core Adult Mental Health	33	0.00	172,683	95,214	526,342	794,239	0.00	348,820	192,400	1,063,170	1,604,390
DP 33903 - PRI - HB 131 Crisis Beds	33	0.00	5,500	0	0	5,500	0.00	11,110	0	0	11,110
DP 33904 - PRI - CD SAPT Block Grant	33	0.00	0	0	82,718	82,718	0.00	0	0	167,091	167,091
DP 33905 - PRI - Mental Health Services Plan	33	0.00	175,744	0	0	175,744	0.00	355,002	0	0	355,002
<b>Total</b>	<b>0.00</b>	<b>\$353,927</b>	<b>\$197,591</b>	<b>\$1,298,763</b>	<b>\$1,850,281</b>	<b>\$1,850,281</b>	<b>0.00</b>	<b>\$714,932</b>	<b>\$399,508</b>	<b>\$2,124,823</b>	<b>\$3,239,263</b>

**Sub-Program Details**

**MENTAL HEALTH 01**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	543.21	0.00	0.00	543.21	0.00	0.00	543.21	543.21
Personal Services	30,451,639	2,636,992	0	33,088,631	2,512,875	0	32,964,514	66,053,145
Operating Expenses	9,931,550	903,742	0	10,835,292	1,638,480	0	11,570,030	22,405,322
Equipment & Intangible Assets	107,460	0	0	107,460	0	0	107,460	214,920
Grants	1,895,950	0	5,500	1,901,450	0	11,110	1,907,060	3,808,510
Benefits & Claims	58,693,937	7,171,098	1,273,502	67,138,537	8,518,828	2,572,501	69,785,266	136,923,803
Transfers	30,000	(5,700)	0	24,300	(7,500)	0	22,500	46,800
Debt Service	69,607	48,016	0	117,623	48,016	0	117,623	235,246
<b>Total Costs</b>	<b>\$101,180,143</b>	<b>\$10,754,148</b>	<b>\$1,279,002</b>	<b>\$113,213,293</b>	<b>\$12,710,699</b>	<b>\$2,583,611</b>	<b>\$116,474,453</b>	<b>\$229,687,746</b>
General Fund	57,794,785	4,249,545	353,927	62,398,257	5,314,421	714,932	63,824,138	126,222,395
State/Other Special	7,083,630	1,633,320	197,591	8,914,541	1,720,115	399,508	9,203,253	18,117,794
Federal Special	36,301,728	4,871,283	727,484	41,900,495	5,676,163	1,469,171	43,447,062	85,347,557
<b>Total Funds</b>	<b>\$101,180,143</b>	<b>\$10,754,148</b>	<b>\$1,279,002</b>	<b>\$113,213,293</b>	<b>\$12,710,699</b>	<b>\$2,583,611</b>	<b>\$116,474,453</b>	<b>\$229,687,746</b>

**Sub-Program Description**

The Mental Health Services function administers:

- o Community mental health services for adults
- o Two mental health facilities for adults – Montana State Hospital (MSH) and the Montana Mental Health Nursing Care Center (MMHNCC)

Community mental health services include both Medicaid and state funded services. Examples of services include:

- o Traditional medical services such as hospital, prescription, and therapy services
- o Specialized services such as adult foster care, adult group homes, community based support services
- o One-time supports for persons transitioning from state facilities to community services
- o Broad based community services such as drop in centers, crisis stabilization services, and suicide prevention

**Budget Request**

The Mental Health Services budget request increases \$27.3 million over the biennium primarily due to:

- Annualization of startup costs for the Health Insurance Flexibility and Accountability (HIFA) Medicaid waiver - \$8.3 million
- Medicaid services enrollment and service utilization increases - \$6.4 million including \$2.1 million general fund
- Reinstatement of funding for overtime, shift differential, and holidays worked at two adult mental health state facilities, which are zero based - \$5.1 million general fund
- Operating cost inflation for state adult mental health facilities - \$2.5 million general
- A 2% annual provider rate increase - \$3.9 million, including \$1.1 million general fund

**LFD  
ISSUE**Expansion of Services – Nursing Care Center

The 2011 Legislature appropriated nearly \$3.0 million to the Department of Corrections (DOC) to contract for 20 secure assisted living beds and 100 other male prison beds. DOC initially issued, but later withdrew, a request for proposal (RFP) for the assisted living beds. Instead, DOC entered into a memorandum of understanding (MOU) with DPHHS to provide infirmary care for 25 low-security male inmates at MMHNCC for an estimated cost of \$1.3 million per year.

Inmates treated at MMHNCC, because of illness, injury, or a medical/psychiatric condition, require nursing care and assistance with everyday tasks such as bathing, personal hygiene, and taking medications. DOC retains responsibility for medical costs when the service is not available through the infirmary and for transportation to and from the facility or to services outside the facility.

The executive took the following actions to implement the MOU:

- An unused wing of the MMHNCC was retrofitted to accommodate the program at a cost of \$920,000
- DPHHS hired an additional 20.25 FTE (modified, not permanent FTE) to staff the wing
- The DOC budget request includes funds for the contract, including 5.00 FTE for security at the facility
- Provision of services for the DOC population will commence January 2013

Issues related to the retrofit are:

- The use of these funds was not approved by the legislature as statutorily required for construction of a building when costs exceed \$150,000
- Transfers of funds between agencies are allowed only when the original purpose of the appropriation is maintained. General fund eventually used for the retrofit had been appropriated by the legislature to support Medicaid managed care services (physician, dental, and other services) and was transferred from the Health Resources Division to AMDD and then to the Architecture and Engineering Division of the Department of Administration, changing the original purpose of the appropriation

*Legislative Finance Committee Review*

The Legislative Finance Committee (LFC) requested a legislative staff opinion on the legality of the mechanisms used to fund renovation of the MMHNCC to accommodate the secure assisted living inmates. The staff legal analysis concluded that without legislative approval, the executive did not have authority to spend funds to renovate the building when costs exceeded \$150,000. However, the LFC did not have standing to bring legal action against the executive for proceeding with the renovations. For further information and to view the report presented to the LFC see the June and September 2012 committee meeting reports at: <http://leg.mt.gov/css/fiscal/reports/2011-2012-interim-reports.asp>.

*Options*

The legislature may wish to consider whether to take actions to prevent this type of situation from occurring in the future. The legislature could consider amending statute to:

- Give the LFC or other appropriate legislative entity standing to bring a court action in similar circumstances
- Tighten or eliminate general statutory authority to transfer appropriations among state agencies

**Funding**

The Mental Health Services function is funded from general fund, state special revenue, and federal funds. General fund supports:

- o State mental health facility costs
- o State Medicaid costs
- o State funded services
- o Program administration

State special revenue funds include:

- o Health and Medicaid initiatives used for state Medicaid match
- o Tobacco settlement interest used for state Medicaid match
- o County funds used to support community mental health centers transferred to AMDD to be used as state Medicaid match
- o Payments from the Department of Corrections for maintenance performed for the Watch program located on the MSH campus

Major sources of federal funds include:

- o Medicaid matching funds
- o Two block grants to support mental health services/needs generally and to help reduce homelessness due to mental illnesses

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	57,794,785	57,794,785	115,589,570	91.58%	101,180,143	101,180,143	202,360,286	88.10%
Statewide PL Adjustments	150,116	65,165	215,281	0.17%	105,850	21,789	127,639	0.06%
Other PL Adjustments	4,099,429	5,249,256	9,348,685	7.41%	10,648,298	12,688,910	23,337,208	10.16%
New Proposals	353,927	714,932	1,068,859	0.85%	1,279,002	2,583,611	3,862,613	1.68%
<b>Total Budget</b>	<b>\$62,398,257</b>	<b>\$63,824,138</b>	<b>\$126,222,395</b>		<b>\$113,213,293</b>	<b>\$116,474,453</b>	<b>\$229,687,746</b>	

Except for a request for a 2% annual provider rate increase, the executive budget funds continuation of present law services. Present law adjustments fund state facility inflation and overtime personal services costs and Medicaid caseload growth as well as some increases in state funded community mental health services.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2014				Fiscal 2015					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,336,651					1,220,104
Vacancy Savings					(1,271,561)					(1,266,837)
Inflation/Deflation					(40,323)					(7,920)
Fixed Costs					81,083					76,442
<b>Total Statewide Present Law Adjustments</b>		<b>\$150,116</b>	<b>(\$59,962)</b>	<b>\$15,696</b>	<b>\$105,850</b>		<b>\$65,165</b>	<b>(\$59,962)</b>	<b>\$16,586</b>	<b>\$21,789</b>
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189)	0.00	283,870	0	0	283,870	0.00	283,870	0	0	283,870
DP 33103 - Med Ben Waiver Annualization MHSP (HIFA)	0.00	(470,860)	1,635,220	2,991,752	4,156,112	0.00	(470,860)	1,679,310	2,947,662	4,156,112
DP 33104 - Med Ben Waiver FMAP Adult Mental Health	0.00	0	(9,762)	9,762	0	0.00	0	(4,600)	4,600	0
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	821,267	71,081	1,638,768	2,531,116	0.00	1,263,675	104,695	2,510,476	3,878,846
DP 33201 - Med Ben Federal Caseload Adult Mental Health	0.00	0	0	200,000	200,000	0.00	0	0	200,000	200,000
DP 33301 - Required Overtime/Holiday/Differential MSH	0.00	2,055,361	0	0	2,055,361	0.00	2,055,361	0	0	2,055,361
DP 33302 - Required Overtime/Holiday/Differential MMHNCC	0.00	516,541	0	0	516,541	0.00	504,247	0	0	504,247
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	(12,048)	(3,257)	15,305	0	0.00	2,489	672	(3,161)	0
DP 33602 - Montana State Hosp Facility Operating Inflation	0.00	466,215	0	0	466,215	0.00	947,655	0	0	947,655
DP 33603 - MMHNCC Facility Operating Inflation	0.00	439,083	0	0	439,083	0.00	662,819	0	0	662,819
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,099,429</b>	<b>\$1,693,282</b>	<b>\$4,855,587</b>	<b>\$10,648,298</b>	<b>0.00</b>	<b>\$5,249,256</b>	<b>\$1,780,077</b>	<b>\$5,659,577</b>	<b>\$12,688,910</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$4,249,545</b>	<b>\$1,633,320</b>	<b>\$4,871,283</b>	<b>\$10,754,148</b>	<b>0.00</b>	<b>\$5,314,421</b>	<b>\$1,720,115</b>	<b>\$5,676,163</b>	<b>\$12,710,699</b>

Statewide present law adjustments for personal services include pay increases authorized by DPHHS late in FY 2012 and fully funding positions that were vacant during FY 2012. Vacancy savings almost fully offsets these increases.

Figure 6

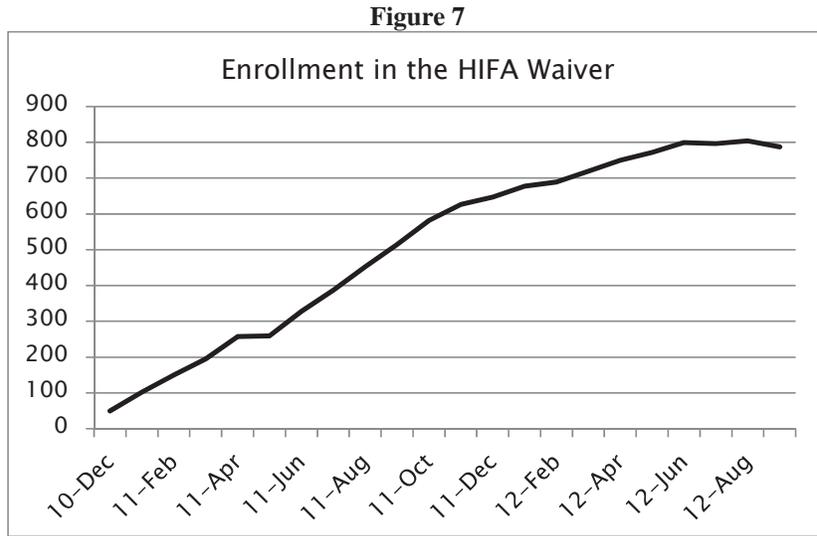
DP 33101 - MH Comm Crisis Serv Annualization (72hr/G-189) - This present law adjustment would fund Goal 189 community crisis services. This funding supports services provided in a group home or individual setting. The amount requested would bring base year costs up to the level of the FY 2012 appropriation. AMDD has worked with service providers in an effort to expand participation. Figure 6 shows the number of persons who received services in FY 2012 compared to AMDD estimates for FY 2013 through FY 2015.

Actual and Estimated Number of Persons Receiving Goal 189 Services				
Type of Service	FY12	FY13	FY14	FY15
Individual	31	86	100	115
Group	38	42	46	50
Total	69	128	146	165

<b>LFD ISSUE</b>	<p><u>Potential to Shift State Costs to Medicaid</u></p> <p>As discussed in the agency overview, ACA mandates several changes to Medicaid eligibility that could make more persons eligible for Medicaid and allows states the option to further expand Medicaid to all persons 19 – 24 who are not disabled or pregnant with household incomes up to 138% of the federal poverty level. Some Goal 189 services may be eligible for Medicaid reimbursement.</p>
------------------	---

DP 33103 - Med Ben Waiver Annualization MHSP (HIFA) - This present law adjustment would fund continuation of the HIFA waiver initiated in December 2010. Enrollment in the waiver increased between 1 to 69 persons per month until about 800 service slots were filled in July 2012. The waiver provides Medicaid funded mental health services and most Medicaid physical health services to persons eligible for the MHSP program who have incomes up to 150% of the federal poverty level and who have a mental health diagnosis of schizophrenia or bipolar disease. This waiver allows

persons to move from 100% state funded services to a more comprehensive array of Medicaid funded services. Enrollment in the waiver is capped at around 800 slots. Figure 7 shows HIFA waiver enrollments.



**LFD  
ISSUE**

General Fund Reduction and Remaining Matching Funds

DP33103 includes a general fund reduction of \$470,860 each year of the biennium to reflect cost savings of persons moving from the state funded Mental Health Services Plan to the Medicaid funded HIFA waiver. The executive budget allocates the general fund reduction to the Medicaid program rather than the state funded program. The legislature may wish to direct LFD staff to correctly allocate the reduction if it adopts this present law change.

The state Medicaid match for the HIFA waiver is paid from the health and Medicaid initiatives state special revenue account. Figure 8 shows the HIFA waiver budget for the FY 2015 biennium based on the average per person cost and enrollment assumptions used in the development of the executive budget and the funding needed to support the budget request. It appears that the executive budget includes about \$300,000 more in state match than needed to support present law services.

**Figure 8**

Cost Element/Funding	FY 2014	FY 2015
Average Cost	\$14,450	\$14,450
Number Enrolled	<u>800</u>	<u>800</u>
Total Annual Cost	11,560,000	11,560,000
State Match Required	3,899,188	3,904,968
Match in Executive Budget	<u>4,026,644</u>	<u>4,077,664</u>
Executive Budget Over (Under) Required Match	<u>127,456</u>	<u>172,696</u>
Biennial Difference		<u>\$300,152</u>

DP 33104 - Med Ben Waiver FMAP Adult Mental Health - This present law request adjusts for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

DP 33200 - Med Ben Core Caseload Adult Mental Health - This present law adjustment would fund enrollment and service utilization growth in adult mental health Medicaid services. Base expenditures were \$39.8 million

**LFD  
ISSUE**

Caseload Growth and the AMDD Community Based Waiver

The adult Medicaid mental health services caseload increases about 3% per year from the projected FY 2013 costs. Cost changes for specific categories of services will be updated and reviewed in February when the legislature considers final Medicaid caseload costs.

One of the adjustments included in DP 33200 would continue funding for the AMDD home and community based waiver that provides services to Medicaid eligible persons with a serious and disabling mental illness who meet nursing home level of care criteria. The AMDD waiver request is based on an average per person cost of \$19,198.

The AMDD per person cost is about \$3,250 higher than the cost to serve a disabled person in the waiver administered by the Senior and Long Term Care Division. Figure 8 shows the difference in average cost per person between the two waivers.

The executive may wish to request information about why the average per person cost is about 17% different between the two waivers and it may wish to ask for updated information about FY 2012 costs prior to taking action on DP 33200.

**Figure 9**

AMDD Community Waiver Services AMDD Cost per Waiver Slot Compared to Cost of Senior and Long Term Care Disabled Waiver Slot	
Executive Request, Comparison of Waiver Cost, Difference	
	Annual Cost
<u>AMDD Waiver</u>	
Total Cost	\$3,225,182
Number Served	<u>168</u>
Annual Cost per Per Person Served	19,198
<u>Senior and Long Term Care Waiver Cost</u>	
Disabled Service Slot	15,944
Difference	3,254
<u>AMDD Waiver Over SLTC Cost</u>	
Annual Amount @ 168 Recipients	546,590
Biennial Amount	1,093,180
State Match Difference	\$369,003

DP 33201 - Med Ben Federal Caseload Adult Mental Health - This present law adjustment adds federal funds for Medicaid reimbursement for services provided by state adult mental health facilities. Base expenditures were \$ 2.0 million.

DP 33301 - Required Overtime/Holiday/Differential MSH - This present law adjustment would fund overtime, holidays worked, differential pay, and the corresponding benefits at the Montana State Hospital. These expenditures are removed from base year expenditures and totaled \$ 3,045,707 in FY 2012.

DP 33302 - Required Overtime/Holiday/Differential MMHNCC - This present law adjustment would fund overtime, holidays worked, differential pay, and the corresponding benefits for the Montana Mental Health Nursing Care Center. These expenditures are removed from the base budget and totaled \$ 451,476 in FY 2012.

DP 33400 - Med Ben Core FMAP Adult Mental Health - This present law request adjusts base level expenditures for the change in the state Medicaid match rate. The state match rate declines from 33.79% in FY 2012 to 33.73% in FY 2014 and 33.78% in FY 2015.

**LFD COMMENT** The Medicaid mental health services state funding ratios do not equal the state match rate discussed in DP 33400. The issue of consistency of Medicaid match rates across services is discussed in the agency overview. In this particular case, the state Medicaid match rate is incorrect because the MHSP provider rate increase is allocated to Medicaid services in the executive budget request rather than MHSP. The legislature may wish to direct LFD staff to correct the error when it considers action on the MHSP provider rate increase.

DP 33602 - Montana State Hosp Facility Operating Inflation - This present law adjustment would fund increases in certain operating costs for the Montana State Hospital. Figure 10 shows each adjustment compared to base budget expenditures. The request is funded entirely from the general fund. State facility inflationary adjustments are discussed in the agency overview.

**Figure 10**

Annual Rate of Change for Inflationary Increases - MSH				
Type of Expenditure	Base Budget	Executive Request		Inflation Rate
		FY 2014	FY 2015	Base - FY15
Drug Costs	\$865,095	\$121,113	\$259,182	9.1%
Medical	265,002	153,000	211,521	21.6%
Laboratory Testing	196,133	27,459	58,761	9.1%
Prescription Services	910,856	91,086	231,357	7.8%
Grocery*	394,033	39,403	100,084	7.8%
Food Services	228,699	22,867	58,082	7.8%
Laundry	<u>112,866</u>	<u>11,287</u>	<u>28,668</u>	<u>7.8%</u>
Total	<u>\$2,972,684</u>	<u>\$466,215</u>	<u>\$947,655</u>	9.7%

Grocery includes additional fixed cost inflation of \$11,623 in FY14 and \$20,608 in FY15.

DP 33603 – MMHNCC Facility Operating Inflation – This present law adjustment would fund increases in certain operating costs for the Montana Mental Health Nursing Care Center. Figure 11 shows each adjustment compared to base operating costs. The request is funded entirely from the general fund. State facility inflationary adjustments are discussed in the agency overview.

**Figure 11**

Annual Rate of Change for Inflationary Increases - MMHNCC				
Type of Expenditure	Base Budget	Request		Inflation Rate
		FY 2014	FY 2015	Base - FY15
Drug Costs	\$766,688	\$247,257	\$399,349	15.0%
Food Services*	268,096	86,461	139,645	15.0%
Consulting Services	201,249	72,000	72,000	10.7%
Prescription Services	123,182	19,883	30,575	7.7%
Medical	<u>56,280</u>	<u>13,482</u>	<u>21,250</u>	<u>11.3%</u>
Total	<u>\$1,415,495</u>	<u>\$439,083</u>	<u>\$662,819</u>	13.7%

Food services includes additional fixed cost inflation of \$7,909 in FY14 and \$14,021 in FY15.

New Proposals

New Proposals	-----Fiscal 2014-----					-----Fiscal 2015-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33901 - PRI Med Ben Waiver AMDD											
01	0.00	0	102,377		201,142	303,519	0.00	0	207,108	406,001	613,109
DP 33902 - PRI Med Ben Core Adult Mental Health											
01	0.00	172,683	95,214		526,342	794,239	0.00	348,820	192,400	1,063,170	1,604,390
DP 33903 - PRI - HB 131 Crisis Beds											
01	0.00	5,500	0		0	5,500	0.00	11,110	0	0	11,110
DP 33905 - PRI - Mental Health Services Plan											
01	0.00	175,744	0		0	175,744	0.00	355,002	0	0	355,002
<b>Total</b>	<b>0.00</b>	<b>\$353,927</b>	<b>\$197,591</b>		<b>\$727,484</b>	<b>\$1,279,002</b>	<b>0.00</b>	<b>\$714,932</b>	<b>\$399,508</b>	<b>\$1,469,171</b>	<b>\$2,583,611</b>

DP 33901 - PRI Med Ben Waiver AMDD - This new proposal would fund a 2% annual provider rate increase for Medicaid community mental health waiver services.

DP 33902 - PRI Med Ben Core Adult Mental Health - This new proposal would fund a 2% provider rate increase for adult mental health Medicaid services.

DP 33903 - PRI - HB 131 Crisis Beds - This new proposal would fund a 2% annual provider for contracted community crisis beds funded under 53-21-1204, MCA (HB 131 passed during the 2009 session).

DP 33905 - PRI - Mental Health Services Plan - This new proposal would fund a 2% annual provider rate increase for the state funded Mental Health Services Program (MHSP).

<b>LFD COMMENT</b>	As noted in the Medicaid services write up, the executive budget allocates the funding for the MHSP provider rate increase to Medicaid services. If the legislature approves the request, it could instruct staff to correct the allocation of funds.
--------------------	---

Sub-Program Details

ADDICTION TREATMENT & PREVENTION 02

Sub-Program Proposed Budget

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget	Base Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	PL Base Adjustment	New Proposals	Total Exec. Budget	Total Exec. Budget
Budget Item	Fiscal 2012	Fiscal 2014	Fiscal 2014	Fiscal 2014	Fiscal 2015	Fiscal 2015	Fiscal 2015	Fiscal 14-15
FTE	63.65	0.00	0.00	63.65	0.00	0.00	63.65	63.65
Personal Services	3,100,500	1,006,669	0	4,107,169	994,312	0	4,094,812	8,201,981
Operating Expenses	1,768,252	151,068	0	1,919,320	151,032	0	1,919,284	3,838,604
Grants	1,297,985	0	0	1,297,985	0	0	1,297,985	2,595,970
Benefits & Claims	8,259,114	124,911	571,279	8,955,304	197,563	655,652	9,112,329	18,067,633
<b>Total Costs</b>	<b>\$14,425,851</b>	<b>\$1,282,648</b>	<b>\$571,279</b>	<b>\$16,279,778</b>	<b>\$1,342,907</b>	<b>\$655,652</b>	<b>\$16,424,410</b>	<b>\$32,704,188</b>
General Fund	1,540,932	23,799	0	1,564,731	23,573	0	1,564,505	3,129,236
State/Other Special	5,351,458	1,137,131	0	6,488,589	1,130,482	0	6,481,940	12,970,529
Federal Special	7,533,461	121,718	571,279	8,226,458	188,852	655,652	8,377,965	16,604,423
<b>Total Funds</b>	<b>\$14,425,851</b>	<b>\$1,282,648</b>	<b>\$571,279</b>	<b>\$16,279,778</b>	<b>\$1,342,907</b>	<b>\$655,652</b>	<b>\$16,424,410</b>	<b>\$32,704,188</b>

**Budget Request**

The Chemical Dependency Services budget request increases \$3.9 million over the biennium due to:

- o Statewide present law adjustments primarily for personal services - \$1.1 million
- o Federal Substance Abuse and Prevention block grant increases - \$1.0 million
- o Reinstatement of overtime, shift differential, and holiday pay for MCDC - \$0.8 million
- o Medicaid chemical dependency enrollment and service utilization increases - \$0.3 million
- o Lease increases for MCDC operating costs - \$0.2 million

<b>LFD COMMENT</b>	DPHHS is implementing changes to MCDC services that will make services eligible for Medicaid reimbursement. This change will have implications for facility funding, service delivery, and potentially staffing. The issue is discussed in the division overview.
--------------------	---

**Funding**

The chemical dependency function is funded from general fund, state special revenue, and federal funds. General fund supports group homes for methamphetamine and other addiction treatment.

State special revenue sources are:

- o Alcohol taxes that fund:
  - o MCDC
  - o Grants to approved chemical dependency programs for services to persons with incomes below 200% of the federal poverty level
  - o Statutory appropriations for chemical dependency community services
  - o State Medicaid match for chemical dependency services
  - o Program administration
- o Health and Medicaid initiative state special tobacco taxes that fund:
  - o Medicaid match for historic provider rate increases for chemical dependency services

Federal fund sources are:

- o Substance abuse block grant funds that support:
  - o Community treatment and prevention services
  - o Program administration
- o Federal Medicaid matching funds

Alcohol tax funding is discussed in greater detail in the division overview. Use of federal Medicaid reimbursement for MCDC facility services is also discussed in the division overview.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Summary by Category	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	1,540,932	1,540,932	3,081,864	98.49%	14,425,851	14,425,851	28,851,702	88.22%
Statewide PL Adjustments	23,799	23,573	47,372	1.51%	577,227	561,258	1,138,485	3.48%
Other PL Adjustments	0	0	0	0.00%	705,421	781,649	1,487,070	4.55%
New Proposals	0	0	0	0.00%	571,279	655,652	1,226,931	3.75%
<b>Total Budget</b>	<b>\$1,564,731</b>	<b>\$1,564,505</b>	<b>\$3,129,236</b>		<b>\$16,279,778</b>	<b>\$16,424,410</b>	<b>\$32,704,188</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					721,318					708,440
Vacancy Savings					(152,878)					(152,357)
Inflation/Deflation					(75)					401
Fixed Costs					8,862					4,774
<b>Total Statewide Present Law Adjustments</b>		<b>\$23,799</b>	<b>\$553,428</b>	<b>\$0</b>	<b>\$577,227</b>		<b>\$23,573</b>	<b>\$537,685</b>	<b>\$0</b>	<b>\$561,258</b>
DP 33200 - Med Ben Core Caseload Adult Mental Health	0.00	0	3,530	121,381	124,911	0.00	0	8,641	188,922	197,563
DP 33300 - Required Overtime/Holiday/Differential MCDC	0.00	0	438,229	0	438,229	0.00	0	438,229	0	438,229
DP 33400 - Med Ben Core FMAP Adult Mental Health	0.00	0	(337)	337	0	0.00	0	70	(70)	0
DP 33501 - Private Lease Adjustment MCDC	0.00	0	108,877	0	108,877	0.00	0	108,877	0	108,877
DP 33601 - MCDC Facility Operating Inflation	0.00	0	33,404	0	33,404	0.00	0	36,980	0	36,980
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$583,703</b>	<b>\$121,718</b>	<b>\$705,421</b>	<b>0.00</b>	<b>\$0</b>	<b>\$592,797</b>	<b>\$188,852</b>	<b>\$781,649</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$23,799</b>	<b>\$1,137,131</b>	<b>\$121,718</b>	<b>\$1,282,648</b>	<b>0.00</b>	<b>\$23,573</b>	<b>\$1,130,482</b>	<b>\$188,852</b>	<b>\$1,342,907</b>

Personal services statewide adjustments include the cost of pay increases granted during the 2013 biennium and fully funding vacant positions. However, the increase from those types of adjustments is offset by the 4% vacancy savings factor.

<b>LFD COMMENT</b>	During FY 2012, MCDC had 11 full time positions that were vacant throughout FY 2012 and 1 full time position that was filled for 8 hours. Legislative staff asked DPHHS to discuss the reasons that these positions were vacant for an extended time. The legislature may wish to review vacancy issues prior to taking action on MCDC appropriation requests.
--------------------	--

DP 33200 - Med Ben Core Caseload Chemical Dependency Services - This present law adjustment would fund increased enrollment and service utilization for Medicaid chemical dependency services.

DP 33300 - Required Overtime/Holiday/Differential MCDC - This present law adjustment would fund overtime, holidays worked, aggregate costs, and the corresponding benefits at the Montana Chemical Dependency Center. These costs are removed from base year expenditures and totaled \$591,524 in FY 2012.

DP 33501 - Private Lease Adjustment MCDC - This present law adjustment would fund an increase in rent for three buildings to house operations for the Montana Chemical Dependency Center. AMDD rented new space for MCDC because the former facility no longer met licensure requirements. The new site meets safety and security requirements for licensing the facility and allows essential services to continue.

**LFD COMMENT** As discussed in the division overview, MCDC will be reconfigured so that MCDC services will be eligible for Medicaid reimbursement. The legislature may wish to review information requested by LFD staff when it considers the request for lease payment adjustments.

DP 33601 - MCDC Facility Operating Inflation - This present law adjustment would fund increases in certain operating costs for the Montana Chemical Dependency Center. Figure 12 shows each adjustment compared to the base budget cost. The adjustment is funded from alcohol tax state special revenue. The issue of facility inflation is discussed in the agency overview.

**Figure 12**

Annual Rate of Change for Inflationary Increases - MCDC				
Type of Expenditure	Base Budget	Request FY 2014	FY 2015	Inflation Rate Base - FY15
Food Services	\$273,325	\$8,200	\$8,446	1.0%
Prescription Services	123,182	12,317	13,550	3.5%
Laboratory Testing	47,446	4,745	5,219	3.5%
Medical	40,548	8,110	9,732	7.4%
Dentistry	633	32	33	1.7%
<b>Total</b>	<b>\$485,134</b>	<b>\$33,404</b>	<b>\$36,980</b>	<b>2.5%</b>

**New Proposals**

Sub Program	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 33803 - Substance Abuse Prevention Treatment Grant										
02	0.00	0	0	488,561	488,561	0.00	0	0	488,561	488,561
DP 33904 - PRI - CD SAPT Block Grant										
02	0.00	0	0	82,718	82,718	0.00	0	0	167,091	167,091
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$571,279</b>	<b>\$571,279</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$655,652</b>	<b>\$655,652</b>

**LFD COMMENT** As noted in the division overview, the executive budget does not include a 2% annual provider rate increase for Medicaid chemical dependency services. All other Medicaid community services and chemical dependency services were included in the executive budget request for a 2% rate increase. The legislature may wish to consider whether to fund such a rate increase for Medicaid chemical dependency services if it approves the executive request for other providers.

DP 33803 - Substance Abuse Prevention Treatment Grant - This new proposal would add federal authority for anticipated increases in the Substance Abuse Prevention Grant.

**LFD COMMENT** As noted in the division overview, it may be possible to use some of the increase in the block grant to fund a portion of MCDC to free up alcohol taxes to offset the funding shortfall in the executive budget.

DP 33904 - PRI - CD SAPT Block Grant - This new proposal would fund a 2% annual provider rate increase in each year of the biennium for chemical dependency services.

**Sub-Program Details**

**AMDD DIVISION ADMIN 03**

**Sub-Program Proposed Budget**

The following table summarizes the total executive budget for the sub-program by year, type of expenditure, and source of funding.

Sub-Program Proposed Budget								
Budget Item	Base Budget Fiscal 2012	PL Base Adjustment Fiscal 2014	New Proposals Fiscal 2014	Total Exec. Budget Fiscal 2014	PL Base Adjustment Fiscal 2015	New Proposals Fiscal 2015	Total Exec. Budget Fiscal 2015	Total Exec. Budget Fiscal 14-15
FTE	13.00	0.00	0.00	13.00	0.00	0.00	13.00	13.00
Personal Services	755,833	103,188	0	859,021	101,465	0	857,298	1,716,319
Operating Expenses	340,032	23,816	0	363,848	33,178	0	373,210	737,058
Grants	517,976	0	0	517,976	0	0	517,976	1,035,952
Benefits & Claims	61,500	0	0	61,500	0	0	61,500	123,000
<b>Total Costs</b>	<b>\$1,675,341</b>	<b>\$127,004</b>	<b>\$0</b>	<b>\$1,802,345</b>	<b>\$134,643</b>	<b>\$0</b>	<b>\$1,809,984</b>	<b>\$3,612,329</b>
General Fund	1,289,500	120,442	0	1,409,942	124,362	0	1,413,862	2,823,804
State/Other Special	138,773	(1,007)	0	137,766	(152)	0	138,621	276,387
Federal Special	247,068	7,569	0	254,637	10,433	0	257,501	512,138
<b>Total Funds</b>	<b>\$1,675,341</b>	<b>\$127,004</b>	<b>\$0</b>	<b>\$1,802,345</b>	<b>\$134,643</b>	<b>\$0</b>	<b>\$1,809,984</b>	<b>\$3,612,329</b>

**Sub-Program Description**

AMDD Division Administration provides oversight and administrative support for division programs.

**Division Administration Budget Request**

Statewide personal services adjustments and a request for lease increases are the major changes to the division administration function 2015 biennium budget compared to the FY 2012 base. Division administration is funded from general fund, state special revenue and federal funds.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent Of Budget
Base Budget	1,289,500	1,289,500	2,579,000	91.33%	1,675,341	1,675,341	3,350,682	92.76%
Statewide PL Adjustments	106,506	105,150	211,656	7.50%	103,180	101,824	205,004	5.68%
Other PL Adjustments	13,936	19,212	33,148	1.17%	23,824	32,819	56,643	1.57%
New Proposals	0	0	0	0.00%	0	0	0	0.00%
<b>Total Budget</b>	<b>\$1,409,942</b>	<b>\$1,413,862</b>	<b>\$2,823,804</b>		<b>\$1,802,345</b>	<b>\$1,809,984</b>	<b>\$3,612,329</b>	

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	Fiscal 2014					Fiscal 2015				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					138,982					137,186
Vacancy Savings					(35,794)					(35,721)
Inflation/Deflation					(8)					359
<b>Total Statewide Present Law Adjustments</b>		<b>\$106,506</b>	<b>(\$3,326)</b>	<b>\$0</b>	<b>\$103,180</b>		<b>\$105,150</b>	<b>(\$3,326)</b>	<b>\$0</b>	<b>\$101,824</b>
DP 33502 - Private Lease Adjustment Division Admin.	0.00	13,936	2,319	7,569	23,824	0.00	19,212	3,174	10,433	32,819
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$13,936</b>	<b>\$2,319</b>	<b>\$7,569</b>	<b>\$23,824</b>	<b>0.00</b>	<b>\$19,212</b>	<b>\$3,174</b>	<b>\$10,433</b>	<b>\$32,819</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$120,442</b>	<b>(\$1,007)</b>	<b>\$7,569</b>	<b>\$127,004</b>	<b>0.00</b>	<b>\$124,362</b>	<b>(\$152)</b>	<b>\$10,433</b>	<b>\$134,643</b>

LFD  
ISSUE

Amount and Funding of Statewide Personal Services Adjustments

*Amount*

The increase in statewide present law personal service adjustment is largely attributable to the reclassification of a position from a health program officer to psychiatrist. LFD staff has requested information on whether the position works in the Division Administration program or whether the position should be transferred to one of the state mental health facilities. If the psychiatrist is part of central office functions, then the position may be subject to cost allocation discussed in the following point.

*Funding of Adjustment*

The base level funding mix for Division Administration is 77% general fund. However, the statewide present law adjustments are funded entirely from general fund. If the statewide present law adjustment were funded at the same funding mix as the base budget, the general fund would be reduced by about \$47,200 over the biennium.

Legislative staff requested information as to why the statewide present law adjustment is not funded at the same funding ratio as the base budget. DPHHS responded that it was an error. The legislature can make this change as a present law adjustment.

DP 33502 - Private Lease Adjustment Division Admin. - This present law adjustment would fund increases in the rental agreement for office space. Lease payments are discussed in the agency overview.