

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

BUDGET AND EXPENDITURE HIGHLIGHTS

The Department of Public Health and Human Services (DPHHS) FY 2018 budget was reduced by \$46.4 million (all fund types) in the October-March period, including a general fund reduction of \$22.2 million. DPHHS has expended 53.8% of its total state resources, while being 66.7% of the way through the budget year, with 59.0% of its general fund expended at the end of February.

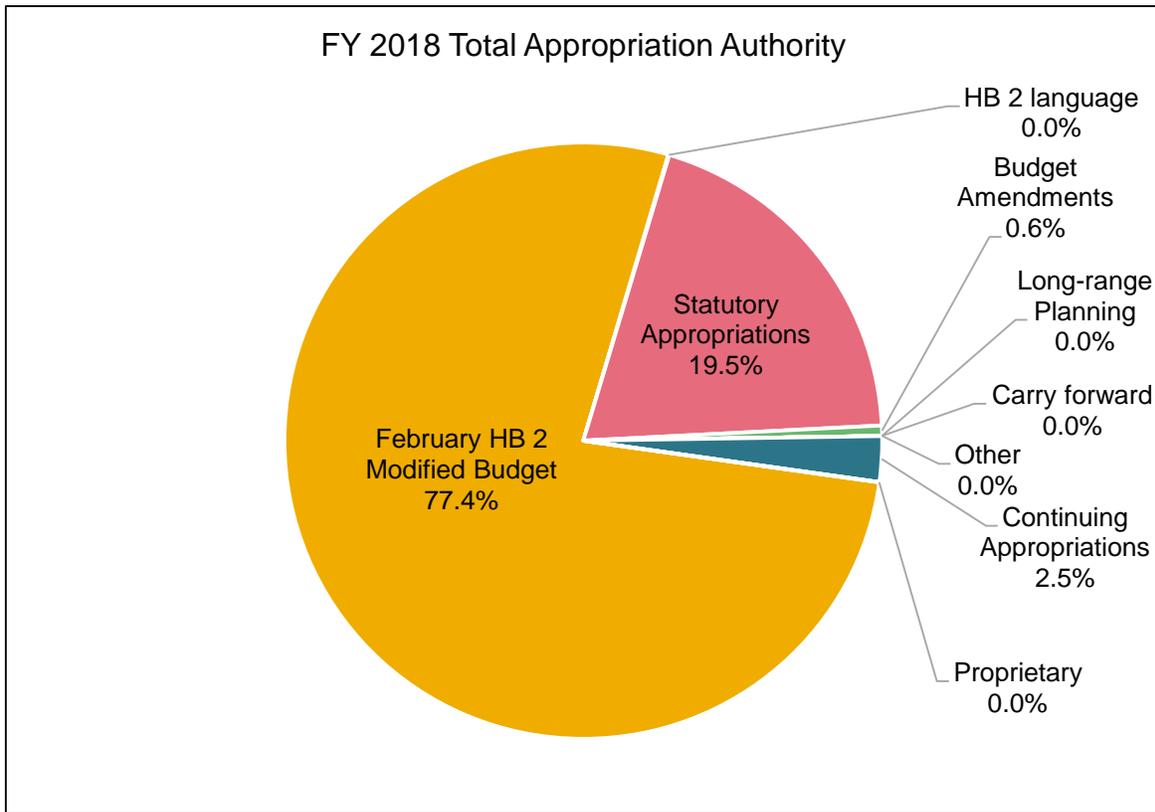
In February the department projected an agency-wide general fund shortfall of \$21.8 million. On March 8, 2018, notification was received indicating DPHHS may need to transfer \$20.6 million in general fund authority from FY 2019 to FY 2018. Figure 1 shows the areas of higher spending for general fund as forecasted in the DPPHS budget status report, which are slightly higher than the fiscal year transfer request.

Figure 1

DPHHS - Key Areas of General Fund Projected Shortfalls			
Appropriation Authority	Current Budget	Projected Expenditures	Projected Shortfall
Total Medicaid Budget	\$287,614,121	\$296,041,252	(\$8,427,131)
Montana State Hospital Operations	39,405,559	45,662,147	(6,256,588)
Child Family Services Admin	16,971,631	21,487,794	(4,516,163)
Vocational Rehab	5,349,754	9,086,300	(3,736,546)
Foster Care Benefits	10,720,524	13,223,276	(2,502,752)
Other ¹	\$137,019,222	\$133,371,936	\$3,647,286
TOTAL	\$497,080,811	\$518,872,705	(\$21,791,894)
¹ Reflects February modified budget			

- The areas in which DPHHS projects the largest of the \$21.8 million general fund shortfalls are:
 - Medicaid benefits and services (\$8.4 million)
 - This \$8.4 million shortfall is after the inclusion of \$5.3 million general fund of Medicaid contingency funds. The reason for the projected shortfall provided in the fiscal year transfer plan cited Medicaid caseload funded below the 2019 biennium Governor's budget request
 - Montana State Hospital (\$6.3 million), with private contractor cost increases indicated as the reason a fiscal year transfer supplemental is needed
 - Disability Employment & Transitions Division - Vocational Rehabilitation benefits (\$3.7 million), with a current February modified budget of \$5.3 million, this projected shortfall is attributed to unfunded federal mandates, additional expenditures to comply with reporting requirements, and inability to control benefit costs in FY 2017 resulting in ongoing commitments
 - Child & Family Services Division administration (\$4.5 million) with the benefits, operations, and caseload costs as a primary driver of this projected shortfall
 - Child & Family Services Division foster care benefits (\$2.5 million)
- Excess Authority - while DPHHS projects an overall general fund shortfall across the agency, they also project extra appropriation authority in the following areas for FY 2018:
 - Mental Health Bureau, \$4.1 million
 - Montana Developmental Center, \$2.5 million
- DPHHS indicated they intend to implement the reductions made during the 2017 special legislative session in accordance with the detail provided in the Governor's "17-7-140 MCA Implemented Reductions" plan
- DPHHS shifted budget authority across divisions during the October-March period; some of these shifts were related to actions taken during the 2017 special session

TOTAL APPROPRIATION AUTHORITY OVERVIEW



This chart shows FY 2018 total agency authority and corresponds to Appendix B.

DPHHS budget authority for FY 2018 is 77.4% in HB 2 and 19.5% from statutory appropriations. Statutory appropriations are described by program in the table below.

Statutory Appropriations

FY 2018 Statutory Authority by Program	
Program	FY 2018 Appropriation
01 Disability Employment & Transitions	\$0
02 Human and Community Services	1,614,312
03 Child & Family Services	65,000
04 Director's Office	62,831
06 Business & Financial Services	32,354
07 Public Health & Safety	2,042,312
08 Quality Assurance	0
09 Technology Services	3,167,740
10 Developmental Services	2,500
11 Health Resources	450,623,792
12 Medicaid and Health Services Management	3,836,680
22 Senior & Long-Term Care	8,396,579
33 Addictive & Mental Disorders	44,112,766
TOTAL	\$513,956,896

About 87.6% of the statutory authority in the DPHHS FY 2018 budget is concentrated in the Health Resources Division. Federal authority for the Medicaid Indian Health Service program accounts for \$82.4 million of this total, while the remaining \$368.3 million is associated with the HELP Act. The HELP Act is discussed in more detail in the HELP Act section of the Medicaid Monitoring Report.

The Senior & Long-Term Care Division’s statutory authority is for the HELP Act. The Addictive & Mental Disorders Division has \$44.1 million in statutory authority, \$39.9 million of which is associated with HELP Act benefits. The remainder is earmarked alcohol taxes (\$2.4 million) and bond payments for the Montana State Hospital (\$1.8 million).

The statutory authority for the HELP Act is not limited, and the numbers reflected in the table are less than the projected expenditures at this point in time. It is expected that the department will increase those appropriations at fiscal year end.

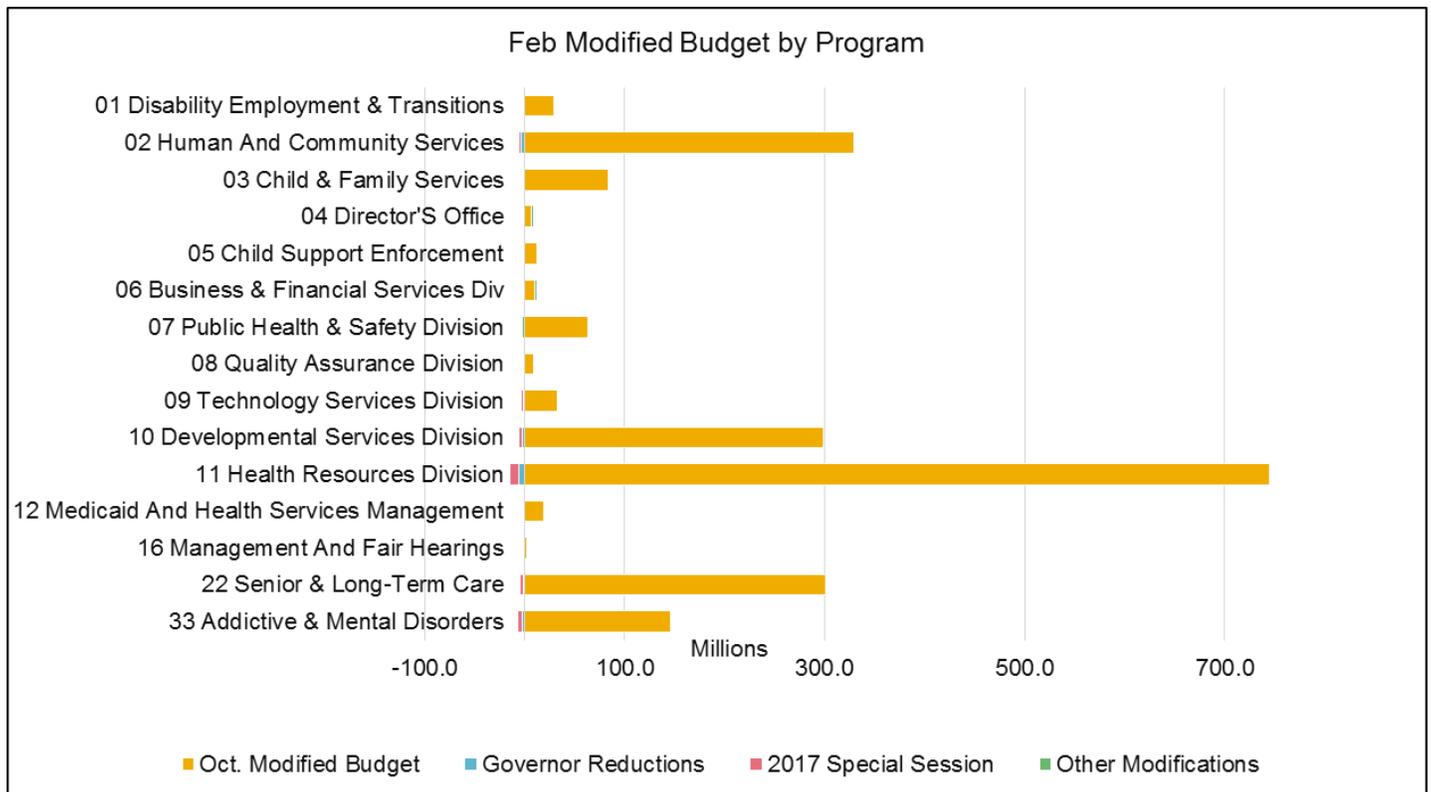
Budget Amendments

FY 2018 Budget Amendments by Program	
Program	FY 2018 Appropriation
03 Child & Family Services	\$470,921
07 Public Health & Safety	3,551,707
10 Developmental Services	760,000
22 Senior & Long-Term Care	919,114
33 Addictive & Mental Disorders	4,048,399
Total	\$9,750,141

DPHHS budget amendments in FY 2018 involve only federal authority. Budget amendments in the Child & Family Services Division involve federal authority for adoption. The Public Health & Safety Division’s budget amendments establish federal authority for several programs, including prescription drug overdose efforts and the Ryan White HIV program. The Developmental Services Division had one budget amendment that established federal authority related to SAMHSA (Substance Abuse and Mental Health Services Administration) efforts. The Senior & Long-Term Care Division’s budget amendments establish federal authority for several programs, including Alzheimer’s efforts. The Addictive & Mental Disorders Division had three budget amendments to establish federal authority for several programs, including an opioid grant.

HB 2 BUDGET MODIFICATIONS

Budget Modification by Program



	Oct. Modified Budget	Governor's Reductions	2017 Special Session	Other Modifications	Sum of Totals
01 Disability Employment & Transitions	29,614,990	(427,549)	(1,047,957)	(168,973)	27,970,511
02 Human And Community Services	329,996,124	(3,391,899)	(1,706,006)	(1,284,408)	323,613,811
03 Child & Family Services	83,395,922	(1,447,951)	(846,925)	(288,338)	80,812,708
04 Director'S Office	7,101,313	(288,509)	(269,604)	2,445,646	8,988,846
05 Child Support Enforcement	12,628,014	(175,583)	(548,837)	(128,247)	11,775,347
06 Business & Financial Services Div	10,433,744	(31,800)	(113,484)	1,552,810	11,841,270
07 Public Health & Safety Division	62,994,023	(56,327)	(447,718)	(2,007,152)	60,482,826
08 Quality Assurance Division	9,397,129	-	(263,152)	(167,244)	8,966,733
09 Technology Services Division	32,436,842	(1,061,413)	(1,856,025)	1,373,280	30,892,684
10 Developmental Services Division	299,068,112	(2,086,411)	(2,984,522)	(465,661)	293,531,518
11 Health Resources Division	744,602,435	(5,238,844)	(9,900,843)	(247,334)	729,215,414
12 Medicaid And Health Services Management	18,816,208	(233,198)	(708,026)	564,747	18,439,731
16 Management And Fair Hearings	2,180,408	(85,741)	(179,569)	(61,696)	1,853,402
22 Senior & Long-Term Care	300,676,213	(1,435,078)	(3,308,826)	(165,920)	295,766,389
33 Addictive & Mental Disorders	146,475,374	(2,701,684)	(3,531,832)	(952,709)	139,289,149
Grand Total	2,089,816,851	(18,661,987)	(27,713,326)	(1,199)	2,043,440,339

This chart and table show budget modifications by program from October through March.

The bar graph above visually summarizes DPHHS budget modifications from October-March while the table provides the associated dollar amounts. The DPHHS "October Modified Budget" is different from the DPHHS budget passed at the end of the 2017 regular legislative session, primarily due to the impact of SB 261. SB 261 reduced the DPHHS FY 2018 general fund budget by about \$8.0 million.

The "Governor's Reductions" amounts are from the 17-7-140 reduction plan submitted by the Governor just before the November 2017 special session. Note that this column is the general fund portion of these reductions only. The Governor's 17-7140 plan called for a reduction to the DPHHS FY 2018 budget of \$18.6 million general

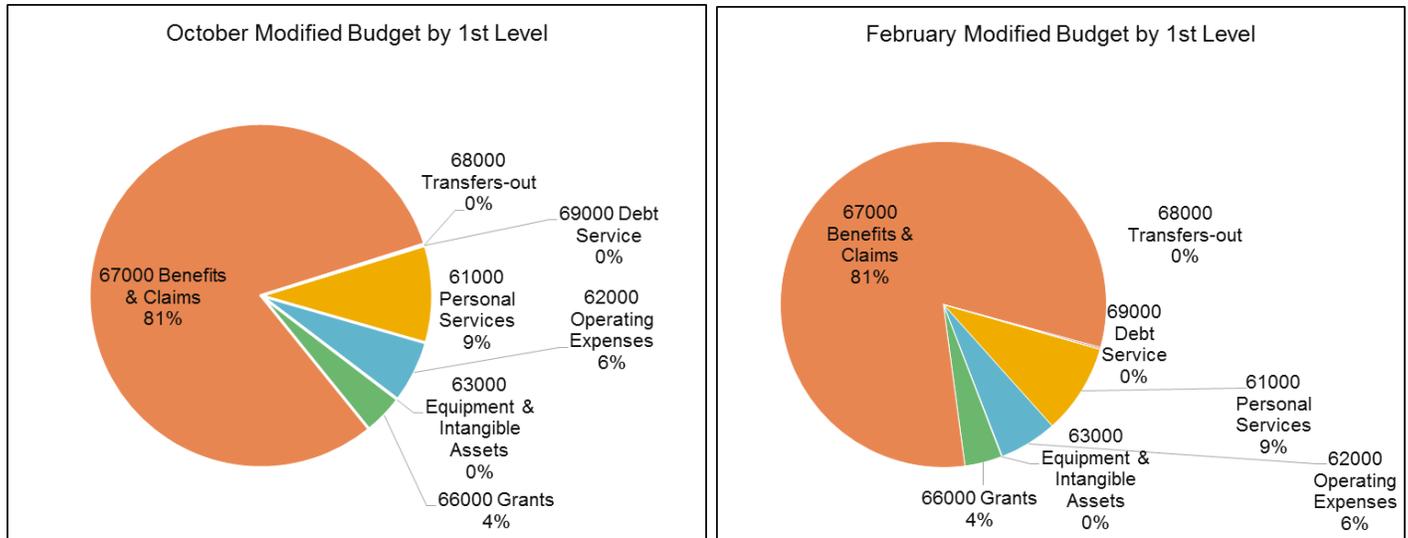
fund, \$0.3 million state special funds, and \$20.7 million federal funds. The state special and federal portion of this reduction is included in the “2017 Special Session” amounts. The \$27.7 million reduction included in the “2017 Special Session” amount includes \$21.0 million in reductions in state special and federal special dollars detailed in the Governor’s 17-7-140 plan. The remaining \$6.7 million in reductions is accounted for by legislative actions that lowered rates paid to SITSD and provided for a suspension of the state health care benefit employer payment contribution.

DPHHS implemented the finalized Governor’s recommended reductions in February and March 2018. Savings from such items as reducing additional targeted case management services for both children and adults, eliminating dental services for dentures, crowns, and bridges, and limiting services for meal preparation, exercise, and other activities of daily living have been implemented. The reductions included savings from:

- Holding vacant positions open and other related reductions in personal services - \$7 million in general fund and \$1.4 million in federal special revenue
- Eliminate Passport to Health Program, Family Education and Support Program, evaluation and diagnosis clinics, and services including room and board for seriously emotionally disturbed children, chemical dependency, and second chance homes - \$2.6 million in general fund and \$1.0 million in federal special revenues
- Reduce specific Medicaid rates - \$3.3 million in general fund and \$6.3 million in federal special revenue
- Reduce TANF Pathways contract - \$1.9 million in general fund
- Reduce certain Medicaid services - \$1.6 million in general fund and \$3.3 million in federal special revenue
- Reduce targeted case management services - \$1.8 million in general fund and \$3.5 million in federal special revenue
- Reduce IT contracts and services - \$1.2 million in general fund, \$0.1 million state special revenue, and \$1.4 million in federal special revenue
- Implementing utilization reviews and prior authorizations for some Medicaid services - \$0.5 million general fund and \$1.0 million in federal special revenue
- Closing certain Offices of Public Assistances and satellite offices - \$0.3 million in general fund and \$0.4 million in federal special revenue

The majority of the “Other Modifications” include transfers in authority across DPHHS divisions. The increase in authority in the Director’s Office in this category is associated with incoming authority from other programs in order to fund agency termination payouts. The Director’s Office also received suicide prevention FTE and authority from the Addictive & Mental Disorders Division. The authority increase in the Business & Financial Services Division reflects the decision to move rent to a restricted subclass in HB 2. Similarly, the authority increase in the Technology Services Division reflects the decision to move SITSD expenses to a restricted subclass in HB 2.

Budget Modification by First Level

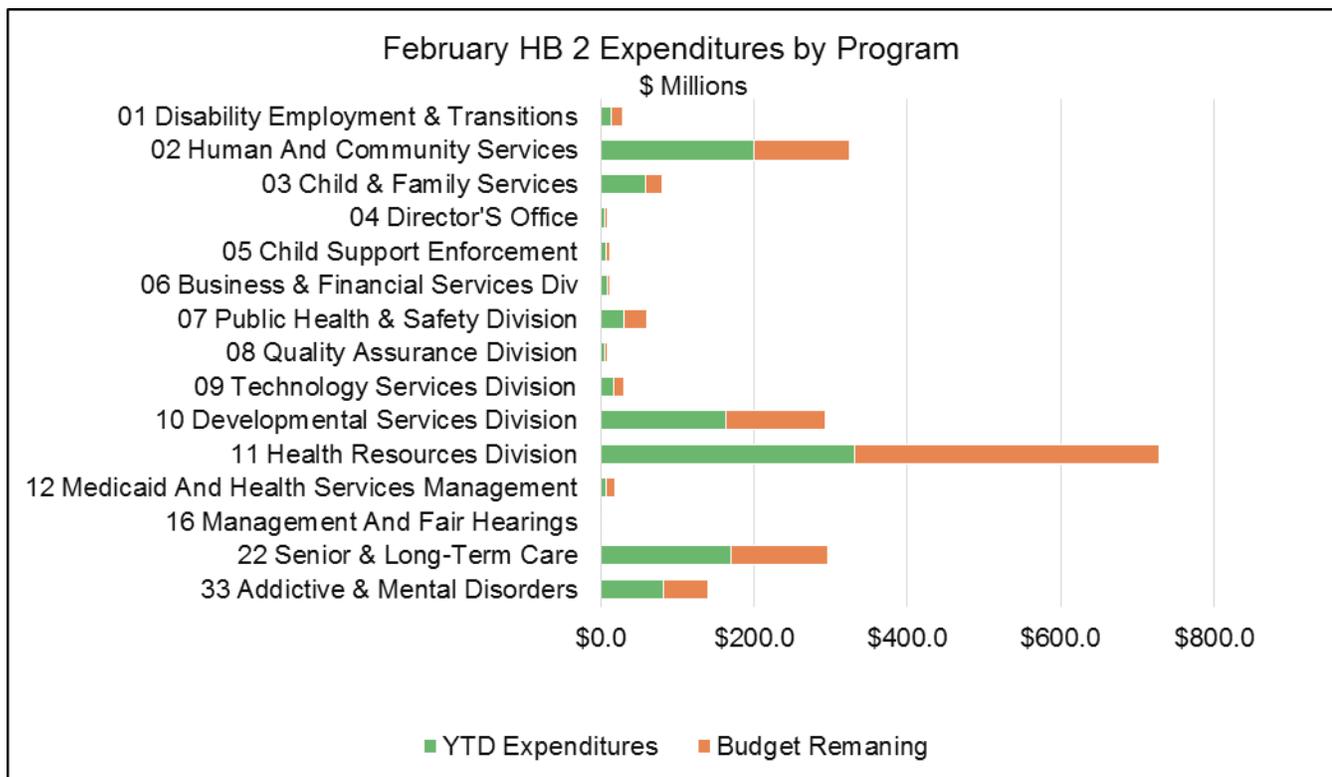


	Oct. Modified Budget	Gov. Reduction	2017 Special Session	Other Modifications	Feb. Modified
61000 Personal Services	191,654,776	(1,607,843)	(7,702,151)	228,920	182,573,702
62000 Operating Expenses	122,781,029	(2,316,899)	(2,718,932)	(390,012)	117,355,186
63000 Equipment & Intangible Assets	651,721	-	-	520,000	1,171,721
66000 Grants	79,519,576	(2,872,737)	-	(894,900)	75,751,939
67000 Benefits & Claims	1,692,031,841	(11,864,508)	(17,292,243)	-	1,662,875,090
68000 Transfers-out	2,885,901	-	-	496,861	3,382,762
69000 Debt Service	292,007	-	-	37,932	329,939
Grand Total	2,089,816,851	(18,661,987)	(27,713,326)	(1,199)	2,043,440,339

The above charts show HB 2 FY 2018 modified budget as of March by first level compared to October modified budget by first level.

Modifications to the DPHHS budget from the October-March period did not significantly change the distribution of 'first-level' budget authority.

AGENCY HB 2 EXPENDITURES



Expenditure by Program

	YTD Expenditures	Budget Remaining	% Expended
01 Disability Employment & Transitions	\$14,210,486	\$13,760,025	50.8%
02 Human and Community Services	200,497,436	123,116,375	62.0%
03 Child & Family Services	57,823,275	22,989,433	71.6%
04 Director's Office	5,296,660	3,692,186	58.9%
05 Child Support Enforcement	7,474,755	4,300,592	63.5%
06 Business & Financial Services	8,635,536	3,205,734	72.9%
07 Public Health & Safety	30,644,611	29,838,215	50.7%
08 Quality Assurance	4,978,310	3,988,423	55.5%
09 Technology Services	16,388,876	14,503,808	53.1%
10 Developmental Services	163,699,805	129,831,713	55.8%
11 Health Resources	330,496,880	398,718,534	45.3%
12 Medicaid and Health Services Management	7,245,483	11,194,248	39.3%
16 Management And Fair Hearing	1,042,119	811,283	56.2%
22 Senior & Long-Term Care	169,444,080	126,322,309	57.3%
33 Addictive & Mental Disorders	81,365,269	57,923,880	58.4%
Total	\$1,099,243,581	\$944,196,758	53.8%

This table shows current expenditures by program and remaining authority for HB 2 budget.

The largest projected general fund deficits are in the Health Resources, Disability Services, and Senior and Long-term Care Divisions. Within Health Resources Division the largest projected general fund shortfalls are in hospital and clinical services (\$7.4 million), Medicare buy-in (\$2.8 million), and managed care (\$1.5 million). Disability Services Division is projecting shortfalls in children's mental health services (\$1.9 million) and developmentally disabled waivers (\$3.3 million). Senior and Long-term Care Division includes Community First Choice benefits (\$4.9 million) and nursing homes (\$1.8 million). These shortfalls are partially offset by projected surpluses in other service categories. The shortfall in the Medicaid budget of \$8.4 million considers the \$5.3 million in general fund that was contingent on the passage of HB 639, which contained restrictions that provide

for funding if the actual HB 2 non-restricted general fund expenditures exceed the HB 2 non-restricted general fund appropriation.

The Montana State Hospital (MSH) was found in January of 2017 by the Centers of Medicare and Medicaid (CMS) to have severe staffing shortages. According to CMS, MSH corrected the staffing deficiencies which related to a shortage of nurses and direct-care staff. Since January 2017 expenditures for professional and consulting services at MSH have increased from a monthly average of \$417,875 in FY 2016 to a monthly average of \$759,137 in FY 2018. These additional costs are driving the projected shortfall in the Montana State Hospital budget.

The Vocational Rehabilitation Program is projecting higher general fund costs associated with benefits and claims for participants in the program. Figure 2 shows the expenditures for benefits and claims in the Vocational Rehabilitation Program for FY 2016, FY 2017, and FY 2018 through the end of February.

Figure 2

Department of Public Health and Human Services Vocational Rehabilitation			
			FY 2018
Benefits and Claims	FY 2016	FY 2017	Through February
General Fund	\$4,385,458	\$9,500,800	\$5,342,611
Federal Special Revenue	10,991,852	8,191,952	1,943,979
Total Benefits and Claims	\$15,377,310	\$17,692,751	\$7,286,590

DPHHS reported to the LFD in FY 2017 that, as a result of the changes in the federal program, and the “stay put” provision of the Rehabilitation Act, the federal grant award was insufficient to meet the obligations of the program. Additional general fund was necessary to meet those obligations and stay in compliance with federal rules and regulations. DPHHS further explained that the reason for the shortfall was three fold:

- No additional funding was provided with a federal mandate that a minimum of 15% of total program expenditures be utilized for pre-employment transition services. The delivery of these services also increased the number of clients requesting vocational rehabilitation services
- Cost control is limited, as once individuals are identified as eligible for services those services are required to be maintained
- Increased system costs to comply with new reporting requirements in the Workforce Innovation and Opportunity Act

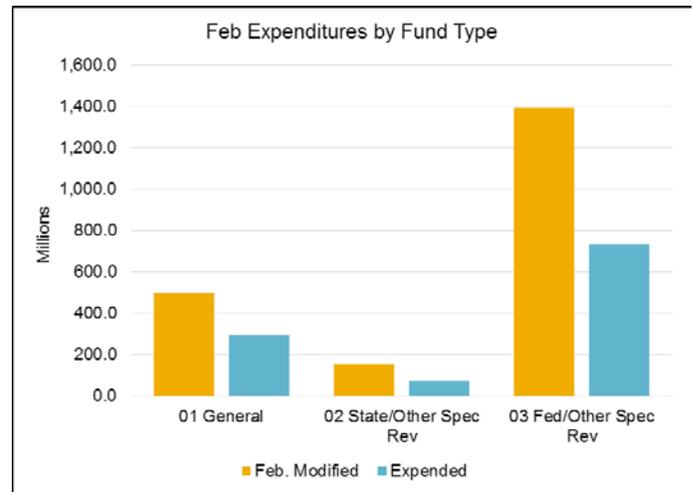
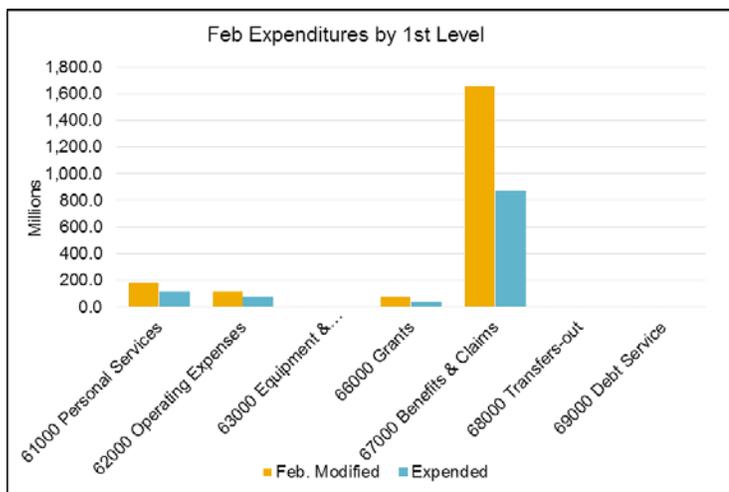
The Vocational Rehabilitation Program has a state match of 21.3% but it must also meet a maintenance of effort (MOE) equal to the amount of state funds expended in the two previous years. As shown in Figure 5, in FY 2017 the Vocational Rehabilitation Program increased its general fund spending by 116.6%, thereby increasing the required MOE for state funds.

DPPHS views the grant program as an entitlement once an individual enters the program, with the only point of control being category closures. All three service categories are now closed, and will remain closed until caseload is reduced through case closure and spending comes back in line with the federal grant award. Additionally, all program expenditures are being closely monitored, reviewed and approved at the senior management level.

Child and Family Services Division administration (which includes caseworkers) and foster care benefits both have high caseloads that are driving the projected shortfalls.

Expenditure By First Level Account and Fund Type

The above charts show HB 2 modified budget compared to expenditures by first level and fund type.



	Feb. Modified	Expended
61000 Personal Services	182,573,702	115,863,771
62000 Operating Expenses	117,355,186	70,462,195
63000 Equipment & Intangible Assets	1,171,721	8,092
66000 Grants	75,751,939	36,455,161
67000 Benefits & Claims	1,662,875,090	873,639,145
68000 Transfers-out	3,382,762	2,585,891
69000 Debt Service	329,939	229,326
Grand Total	2,043,440,339	1,099,243,581

	Feb. Modified	Expended
01 General	497,080,811	293,056,134
02 State/Other Spec Rev	155,076,862	72,139,581
03 Fed/Other Spec Rev	1,391,282,666	734,047,866
Grand Total	2,043,440,339	1,099,243,581

The above graphics show HB 2 modified budget compared to expenditures by first level and fund type.

REQUIRED REPORTS

The Medicaid Monitoring and HELP Act Reports are available as a combined separate document.

ADDITIONAL DISCUSSION

There were several cases in which FTE (and in some cases associated appropriations) were moved across DPHHS divisions as well as one case in which 1.0 FTE was temporarily moved from DPHHS to the Governor's office.