

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 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	628.35	628.35	619.86	619.86	628.35	619.86	(8.49)	(1.35%)
Personal Services	34,558,671	39,266,241	35,808,582	35,827,173	73,824,912	71,635,755	(2,189,157)	(2.97%)
Operating Expenses	13,051,488	13,720,810	13,388,654	13,732,132	26,772,298	27,120,786	348,488	1.30%
Equipment & Intangible Assets	45,420	51,741	45,420	45,420	97,161	90,840	(6,321)	(6.51%)
Grants	5,145,999	5,268,411	5,145,999	5,145,999	10,414,410	10,291,998	(122,412)	(1.18%)
Benefits & Claims	58,111,749	63,869,117	72,882,389	75,130,629	121,980,866	148,013,018	26,032,152	21.34%
Debt Service	1,620	42,953	1,620	1,620	44,573	3,240	(41,333)	(92.73%)
Total Costs	\$110,914,947	\$122,219,273	\$127,272,664	\$129,882,973	\$233,134,220	\$257,155,637	\$24,021,417	10.30%
General Fund	58,190,516	65,823,142	63,633,557	64,265,826	124,013,658	127,899,383	3,885,725	3.13%
State Special	10,910,039	12,438,514	13,625,341	14,511,173	23,348,553	28,136,514	4,787,961	20.51%
Federal Special	41,814,392	43,957,617	50,013,766	51,105,974	85,772,009	101,119,740	15,347,731	17.89%
Total Funds	\$110,914,947	\$122,219,273	\$127,272,664	\$129,882,973	\$233,134,220	\$257,155,637	\$24,021,417	10.30%

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 (FPL) are eligible for public funding of treatment services. In addition, the Medicaid program funds outpatient and residential chemical dependency treatment services for adolescents and outpatient services for adults who are Medicaid eligible. The mental health program provides services to adults who are eligible for Medicaid as well as non-Medicaid adults up to 150% of FPL. The division also manages three inpatient facilities: the Montana State Hospital in Warm Springs, Montana Chemical Dependency Center in Butte, and Montana Mental Health Nursing Care Center in Lewistown. The division administers programs through three bureaus: Mental Health Services, Chemical Dependency Services, and Administration.

Program Highlights

Addictive and Mental Disorders Division Major Budget Highlights
<ul style="list-style-type: none"> ◆ The AMDD budget request for the 2013 biennium is \$24.0 million (about 10%) higher than the 2011 biennium, with \$3.9 million supported by general fund ◆ Reductions in the budget for mental health crisis jail diversion services and in the state matching funds for mental health Medicaid services partially offset increases in funding for services ◆ Total funds increase \$26.0 million due to growth in benefits (services to individuals) for: <ul style="list-style-type: none"> • Extending Medicaid eligibility to low-income adults with a serious and disabling mental illness - \$17.0 million • Additional changes in Medicaid eligibility and service utilization of about \$10.0 million ◆ Personal services are a net \$2.1 million lower in the 2013 biennium compared to the 2011 biennium due to: <ul style="list-style-type: none"> • Elimination of funding for 8.49 FTE as part of the Governor's 4% FTE reduction, which offsets the request to reinstate overtime, shift differential, and holiday pay for state institution staff that was removed from base budget expenditures • Correction of workers' compensation rates, which were too high for nondirect care staff at state mental health institutions ◆ Operating costs grow about \$0.4 million, primarily due to inflation in medical, food, and prescription costs for state mental health institutions ◆ General fund increases are partially offset by reductions of \$1.9 million to reduce the Mental Health Services Plan appropriation to the FY 2010 appropriated level
Major LFD Issues
<ul style="list-style-type: none"> ◆ The state may be at risk for higher Medicaid costs for adult mental health services than projected in the executive budget ◆ It is unclear how the newly approved Medicaid waiver to expand Medicaid coverage to 800 MHSP enrollees will be incorporated into the executive proposal for a 5 county fully capitated Medicaid managed care proposal ◆ Overall state expenditures for the Mental Health Services Plan will be higher due to the maintenance of effort required for the waiver to move individuals from the state funded program to Medicaid services ◆ The state funding maintenance of effort for the Mental Health Services Plan (MHSP) required by the new Medicaid waiver that will transition 800 individuals from MHSP to Medicaid may limit legislative flexibility to establish spending levels for the program ◆ There is about \$300,000 in additional alcohol tax state special revenue that could be used to offset general fund supporting chemical dependency services or fund present law adjustments for Medicaid chemical dependency services and Montana Chemical Dependency Center that were not funded in the executive budget request ◆ The legislature would need to amend statutes governing the alcohol state special revenue account to transfer the balance to the general fund if it were to implement the proposed the 5% reduction plan

Program Narrative

Goals and Objectives

2011 Biennium Goals

The Legislative Finance Committee recommends the legislature review updated information for performance measurement(s) tracked during the 2011 interim. AMDD reported on the following goals and will provide data for consideration by the 2011 joint appropriations subcommittee.

- Establish consumer choice by increasing the availability of services for individuals enrolled in the Mental Health Services Plan
- Achieve a 10% reduction in the number of persons readmitted to Montana State Hospital within six months of a previous discharge
- Provide community crisis intervention and integration into community services as an alternative to inpatient or state hospital treatment
- Evaluate the impact of new community services on utilization of MSH
- Fill 125 slots for Home and Community Based Services Waiver in three geographic areas of the state
- Improve chemical dependency and meth treatment outcomes through expanded community treatment

The LFC performance workgroup for DPHHS reviewed each of these goals at its June 2010 meeting and deemed each to be on track. The workgroup requested that DPHHS provide updates for the joint appropriations subcommittee since the goals relate to evaluation of major initiatives funded by the legislature in the last several biennia and would be useful in establishing program appropriations.

Division Budget Discussion

There are two basic ways to compare budget changes for the 2013 biennium. The first is to compare the difference from the 2011 biennium, which is about \$24.0 million for AMDD. The second way is to compare each year of the 2013 biennium to the FY 2010 base budget expenditures, which is about \$35.3 million, and is the basis used by the legislature for appropriation decisions.

A biennial comparison includes changes in appropriations from FY 2010 to FY 2011, which is important in programs with Medicaid services. Historically, there are ongoing annual increases in Medicaid service utilization and usually in the number of persons eligible for services, unless the legislature, DPHHS, or federal policies make programmatic changes that lower annual cost growth. So absent programmatic changes, the FY 2011 cost for Medicaid services will be higher than the FY 2010 cost. Therefore, the total cost increase between biennia is usually smaller than the 2013 biennium budget request compared to the base budget doubled.

The main program table for AMDD shows the biennial comparison. However, the appropriation decisions the legislature will make are based on the difference from the base budget.

Major Changes Proposed for Legislative Consideration

The major components of the AMDD 2013 biennium executive budget request compared to the 2010 base budget are:

- \$17.0 million total funds to extend Medicaid eligibility to low-income adults with a serious and disabling mental illness and provide mental health services as well as a basic package of physical health services
- \$16.5 million total funds (\$3.9 million general fund) for increases in Medicaid service utilization and eligibility changes, including the annualization of the FY 2011 expansion of the home and community based services waiver
- \$3.8 million general fund, with a like reduction in federal funds, since the temporary 10% increase in the federal Medicaid match rate in FY 2010 will not continue
- \$3.3 million general fund for state institution changes, including requests to restore overtime, holiday, and shift differential pay; funding for aggregate positions; and inflation in operating costs

Requests for increases in funding are partially offset by funding reductions of:

- o \$1.9 million general fund to reduce expenditures in MHSP that had been supported by a transfer from savings in workers’ compensation costs at the state mental health institution
- o \$1.2 million general fund to eliminate all but about \$54,000 of the \$1.2 million appropriated (by the 2009 Legislature) to implement mental health crisis jail diversion services
- o \$1.0 million general fund to eliminate 8.49 FTE as part of the Governor’s 4% FTE reduction

Major Components – AMDD Budget

Figure 29 shows the major expenditures for the FY 2013 AMDD budget request. Medicaid services (adult mental health and chemical dependency) are the largest share - \$57.0 million (46% of the total). The three state institutions administered by AMDD together account for \$45.1 million in total funds or 35% of the total division budget. AMDD also administers non-Medicaid community services. The Mental Health Services Plan (MHSP) for low-income adults with a serious and disabling mental illness is about 8% of the total and community chemical dependency services are about 6%.

Cost Drivers

The major cost drivers in the AMDD budget are Medicaid services, especially those that are entitlement services, and state institution services. Changes in these two components can have a major impact on AMDD expenditures – especially general fund costs.

2013 Biennium Budget Compared to FY 2010 Base Budget

Figure 30 shows the FY 2010 base budget compared to the AMDD executive budget request. The first part of the table shows the budget by major function. The second part shows the budget for each state facility administered by AMDD. The final portion of the table shows base expenditures and requested appropriations for each major grant and service administered by AMDD. Total expenditures for each major component are shown by fund type.

Figure 29

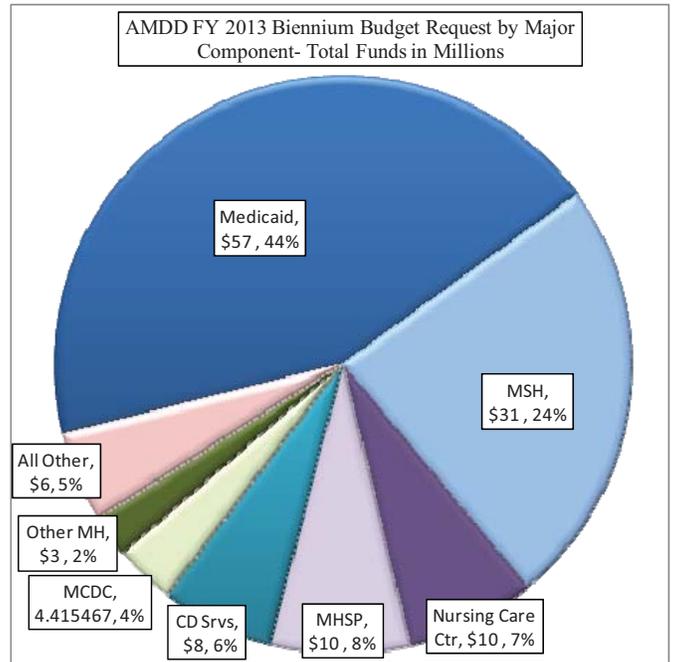


Figure 30

Addictive and Mental Disorders Division FY 2010 Base Budget Expenditures Compared to 2013 Biennium Executive Budget Request														
Budget Component Function/Benefit	FY 2010 Base Budget Expenditures				FY 2012 Executive Budget Request				FY 2013 Executive Budget Request				% of Ttl Division	
	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total	General Fund	SSR	Federal	Total		
Total Division														
Division Admin.	\$946,165	\$169,099	\$270,330	\$1,385,594	\$1,040,530	\$167,943	\$264,301	\$1,472,774	\$1,048,833	\$169,244	\$272,822	\$1,490,899	1.1%	
Mental Health	55,145,957	5,722,001	31,883,116	92,751,074	60,324,618	8,296,015	40,237,420	108,858,053	60,948,253	9,174,517	41,321,661	111,444,431	85.8%	
Addiction Services	2,098,394	5,018,939	9,660,946	16,778,279	2,268,409	5,161,383	9,512,045	16,941,837	2,268,740	5,167,412	9,511,491	16,947,643	13.0%	
Total Division	\$58,190,516	\$10,910,039	\$41,814,392	\$110,914,947	\$63,633,557	\$13,625,341	\$50,013,766	\$127,272,664	\$64,265,826	\$14,511,173	\$51,105,974	\$129,882,973	100.0%	
Percent of Total	52.5%	9.8%	37.7%	100.0%	50.0%	10.7%	39.3%	100.0%	49.5%	11.2%	39.3%	100.0%		
State Institution Costs														
State Hospital	\$29,761,776	\$447,815	\$0	\$30,209,591	\$30,528,146	\$447,815	\$0	\$30,975,961	\$30,722,591	\$447,815	\$0	\$31,170,406	24.0%	
Nursing Care Center	8,646,058	0	0	8,646,058	9,362,524	0	0	9,362,524	9,506,656	0	0	9,506,656	7.3%	
Chemical Dependency Cnt	0	4,305,618	8,592	4,314,210	0	4,402,537	8,592	4,411,129	0	4,406,875	8,592	4,415,467	3.4%	
Subtotal Institutions	\$38,407,834	\$4,753,433	\$8,592	\$43,169,859	\$39,890,670	\$4,850,352	\$8,592	\$44,749,614	\$40,229,247	\$4,854,690	\$8,592	\$45,092,529	34.7%	
% of Total Division Budget	66.0%	43.6%	0.0%	38.9%	62.7%	35.6%	0.0%	35.2%	62.6%	33.5%	0.0%	34.7%		
Grants*														
Mental Health Grants														
Mental Health Svcs Plan	\$363,500	\$0	\$0	\$363,500	\$363,500	\$0	\$0	\$363,500	\$363,500	\$0	\$0	\$363,500	0.3%	
72 Hr Crisis Care	200,000	0	0	200,000	200,000	0	0	200,000	200,000	0	0	200,000	0.2%	
Crisis Diversion/Treatment	673,849	0	0	673,849	54,381	0	0	54,381	54,381	0	0	54,381	0.0%	
Drop In Centers	379,080	0	0	379,080	379,080	0	0	379,080	379,080	0	0	379,080	0.3%	
PATH/Homeless Services	89,438	0	268,313	357,751	89,438	0	268,313	357,751	89,438	0	268,313	357,751	0.3%	
Suicide Prevention	187,500	0	0	187,500	187,500	0	0	187,500	187,500	0	0	187,500	0.1%	
Service Area Authority	85,000	0	0	85,000	85,000	0	0	85,000	85,000	0	0	85,000	0.1%	
Addiction Services														
Community Services	0	0	2,877,586	2,877,586	0	0	2,877,586	2,877,586	0	0	2,877,586	2,877,586	2.2%	
Subtotal Grants**	\$1,978,367	\$0	\$3,145,899	\$5,124,266	\$1,358,899	\$0	\$3,145,899	\$4,504,798	\$1,358,899	\$0	\$3,145,899	\$4,504,798	3.5%	
% of Total Division Budget	3.4%	0.0%	7.5%	4.6%	2.1%	0.0%	6.3%	3.5%	2.1%	0.0%	6.2%	3.5%		
Benefits/Services*														
Medicaid**														
Mental Health	\$2,344,752	\$2,672,498	\$19,268,662	\$24,285,912	\$7,670,388	\$2,672,498	\$20,248,399	\$30,591,285	\$7,920,791	\$2,672,498	\$20,327,499	\$30,920,788	23.8%	
Mental Health Expansion/ HIFA Waiver	0	0	0	0	0	1,226,487	6,434,471	7,660,958	0	1,843,997	7,491,698	9,335,695	7.2%	
HCBS Waiver Srv	(7,781)	483,367	1,692,104	2,167,690	0	1,278,018	2,501,982	3,780,000	0	1,295,028	2,484,972	3,780,000	2.9%	
PACT	1,621,875	0	3,365,442	4,987,317	1,742,304	0	3,410,862	5,153,166	1,765,590	0	3,387,576	5,153,166	4.0%	
ICBR	827,180	0	1,716,425	2,543,605	860,474	0	1,684,526	2,545,000	871,974	0	1,673,026	2,545,000	2.0%	
Institutional Reimbursement	0	0	3,482,976	3,482,976	0	0	3,482,976	3,482,976	0	0	3,482,976	3,482,976	2.7%	
Chemical Dependency	95	405,500	1,357,820	1,763,415	170,704	405,500	1,187,211	1,763,415	170,704	405,500	1,187,211	1,763,415	1.4%	
Other Benefits														
Mental Health Services														
Mental Health Svcs Plan	6,594,343	2,060,056	1,144,595	9,798,994	4,650,374	2,613,056	1,202,630	8,466,060	4,650,374	2,857,056	1,202,630	8,710,060	6.7%	
PACT - MHSP Slots	960,163	0	0	960,163	977,157	0	0	977,157	977,157	0	0	977,157	0.8%	
72 Hr Crisis Care	1,241,296	0	0	1,241,296	1,241,296	0	0	1,241,296	1,241,296	0	0	1,241,296	1.0%	
Goal 189 Services	656,418	0	0	656,418	656,418	0	0	656,418	656,418	0	0	656,418	0.5%	
Chemical Dependency	1,925,692	1,254	4,487,214	6,414,159	1,925,692	1,254	4,487,214	6,414,159	1,925,692	1,254	4,487,214	6,414,159	4.9%	
Adjustments	0	0	(1,865)	(1,865)	0	0	(1,865)	(1,865)	0	0	(1,865)	(1,865)	0.0%	
Subtotal Benefits**	\$16,164,033	\$5,622,675	\$36,513,372	\$58,300,080	\$19,894,806	\$8,196,813	\$44,638,406	\$72,730,025	\$20,179,995	\$9,075,333	\$45,722,937	\$74,978,264	57.7%	
% of Total Division Budget	27.8%	51.5%	87.3%	52.6%	31.3%	60.2%	89.3%	57.1%	31.4%	62.5%	89.5%	57.7%		

*Benefits and grants totals in this figure will be different than the main division table because crisis diversion/treatment services have been consolidated in grants funding in this table and were allocated between grants and benefits in the executive budget, which forms the main table. Additionally, some costs have been moved from operating to grants and benefits in the base budget to correctly reflect the purpose of the expenditure.

Mental health services are the single largest component of the AMDD budget (86% of the FY 2013 budget request). Chemical dependency services are about 13% and division administration is 1%.

Benefits and claims – payments for services for eligible individuals – is the largest component of the AMDD budget, rising from \$58.3 million in FY 2010 to \$75.0 in FY 2013, primarily due to the new MHSP Medicaid expansion (HIFA waiver). Personal services is the next largest component (26%), declining slightly from \$36.3 million to \$35.8 million over the same time period. AMDD has about 630 FTE, most of whom (93%) work in the three state institutions administered by the division.

Institution Budgets

State institution costs are 35% of the total funding requested in FY 2013, but 63% of the general fund budget. The Montana State Hospital (MSH) is the largest with nearly one quarter of the total division budget. While the two state mental health institutions are budgeted from the general fund, some state institution services are reimbursed by Medicare, Medicaid, Indian Health Services, private health insurance, and patient payments. Those reimbursements are first used to pay debt services for the state hospital bond issue with the remainder deposited to the general fund. General fund revenue from AMDD institutions, not including debt service payments, is estimated to be \$39.4 million over the 2013 biennium. Figure 31 shows each state institution administered by AMDD, the FY 2010 base budget, the 2013 biennium executive request, and the total state general fund revenue projection.

The three state institutions administered by AMDD account for over 93% of the division FTE. The average daily population at each institution is expected to remain relatively constant through the 2013 biennium. The average daily cost at the two mental health institutions is higher than the base budget, but lower than the FY 2011 appropriation due to proposed funding reductions for FTE and because workers' compensation costs for nondirect care staff were budgeted at too high a rate in the 2011 biennium and are lower in the 2013 biennium.

MSH and the Montana Mental Health Nursing Care Center (MMHNCC) together are projected to generate \$20.0 million in general fund revenue over the 2013 biennium. Annual revenues were higher in the base budget year due to higher Medicare and Medicaid payments.

Grants

Grants are funds that are awarded to entities that provide public services without regard to specific eligibility criteria. Grants are about 4% of the division budget in FY 2013. The largest grant expenditure is funded from the federal chemical dependency block grant and supports local state approved programs. Other grants fund mental health services and are largely supported by general fund.

Figure 31

Base Budget Compared to 2013 Biennium Budget Request Institutions Administered by AMDD				
Institution	Actual	Appropriation	Executive Request	
Cost/Funding	FY 2010	FY 2011	FY 2012	FY 2013
<u>Montana State Hospital</u>				
FTE	406.40	406.40	402.40	402.40
Personal Services	\$23,765,555	\$26,741,115	\$24,322,269	\$24,325,105
All Other	<u>6,444,036</u>	<u>6,794,429</u>	<u>6,653,692</u>	<u>6,845,301</u>
Total	<u>\$30,209,591</u>	<u>\$33,535,544</u>	<u>\$30,975,961</u>	<u>\$31,170,406</u>
General Fund	\$29,761,776	\$33,113,035	\$30,528,146	\$30,722,591
State Special Rev.	447,815	422,509	447,815	447,815
General Fund Revenue	8,582,144	6,926,620	6,944,397	6,926,620
Average Population	185	186	186	186
Costs Per Person	\$163,295	\$180,299	\$166,537	\$167,583
Cost Per Day	\$447	\$494	\$456	\$459
Annual Change		10.4%	-7.6%	0.6%
<u>Mental Health Nursing Care Center</u>				
FTE	122.20	122.20	119.21	119.21
Personal Services	\$5,257,324	\$6,171,127	\$5,794,142	\$5,805,855
All Other	<u>3,388,734</u>	<u>3,499,766</u>	<u>3,568,382</u>	<u>3,700,801</u>
Total	<u>\$8,646,058</u>	<u>\$9,670,893</u>	<u>\$9,362,524</u>	<u>\$9,506,656</u>
General Fund	\$8,646,058	\$9,670,893	\$9,362,524	\$9,506,656
General Fund Revenue	4,221,948	3,659,762	3,538,032	3,521,024
Average Population	83	82	82	82
Cost Per Person	\$104,169	\$117,938	\$114,177	\$115,935
Cost Per Day	\$285	\$323	\$313	\$318
Annual Increase		13.2%	-3.2%	1.5%
<u>Montana Chemical Dependency Center</u>				
FTE	57.32	58.25	57.32	58.25
Personal Services	\$2,992,998	\$3,462,242	\$3,092,246	\$3,094,466
All Other	<u>1,321,212</u>	<u>1,470,647</u>	<u>1,318,883</u>	<u>1,321,001</u>
Total	<u>\$4,314,210</u>	<u>\$4,932,889</u>	<u>\$4,411,129</u>	<u>\$4,415,467</u>
State Special Rev.	\$4,305,618	\$4,475,894	\$4,402,537	\$4,406,875
Federal Funds	8,592	456,995	8,592	8,592
Average Population	54	56	56	56
Cost Per Person	\$79,893	\$88,261	\$78,925	\$79,003
Cost Per Day	\$219	\$242	\$216	\$216
Annual Change		10.5%	-10.6%	0.1%
<u>Total Division Institution Budget</u>				
FTE	585.92	586.85	578.93	579.86
% of Division Total	93.2%	93.4%	93.4%	93.5%
General Fund	\$38,407,834	\$42,783,928	\$39,890,670	\$40,229,247
% of Division Total	66.0%	65.0%	62.7%	62.6%
Total Funds	<u>\$43,169,859</u>	<u>\$48,139,326</u>	<u>\$44,749,614</u>	<u>\$45,092,529</u>
Annual Change		11.5%	-7.0%	0.8%
General Fund Revenue	\$12,804,091	\$10,586,382	\$10,482,430	\$10,447,644

Crisis Diversion/Treatment

The 2009 Legislature passed a trio of bills (HB 130, HB 131, and HB 132) recommended by an interim legislative study and approved an annual \$1.2 million general fund appropriation for:

- o A grant program to counties (based on available funding) to implement jail diversion services
- o DPHHS to contract for community secure crisis beds
- o Short-term inpatient voluntary mental health treatment

The majority of funds from the \$1.2 million general fund appropriation supported the grant program for counties. Spending from the FY 2010 appropriation was reduced by about \$600,000 in response to 17-7-140, MCA (Governor's February 2010 spending reductions in response to declining general fund revenues). The executive budget eliminates all but \$54,000 of the remainder of ongoing funds for the crisis diversion services as part of the 5% reduction plan required to be submitted as part of its budget request each biennium.

FY 2010 Crisis Diversion Grants

AMDD contracted with several counties to implement jail diversion services. Each project is summarized.

Yellowstone County (Partners include: Big Horn, Carbon, Fergus, Golden Valley, Judith Basin, Musselshell, Petroleum, Stillwater, Sweet Grass, and Wheatland)

- o Funded current operations at Billings Community Crisis Center: 3,452 visits during grant period (1,437 unduplicated)
- o Completed one Crisis Intervention Team (CIT) training event for 40 participants and four WRAP (Wellness, Recovery Action Plan) training events
- o Purchased medical and facility equipment to support patient care

Missoula County

- o Funded about 2.25 FTE to assist with jail diversion and crisis intervention program to serve Missoula county and to provide training for crisis intervention teams, suicide prevention/intervention for law enforcement, and detention center staff
- o Installed a padded detention cell in Missoula county detention center
- o Supported 444 law enforcement response to calls (emergency evaluation/suicide risk) or an average of 49 per month

Ravalli County

- o Funded preliminary architectural report, planning, and land acquisition (permitting, utilities, road access) for a six bed secure crisis stabilization facility in Hamilton to be completed February 2011

Lewis and Clark County (Partners: Broadwater, Meagher, Jefferson)

- o Supported multi county coordination and mental health crisis planning development and implementation for four county service area through utilization of behavioral health unit at St. Peter's Hospital in Helena to provide emergency and court ordered detention beds and crisis intervention and stabilization as needed
- o Provided crisis intervention training for 48 staff employed by Lewis and Clark county, 5 staff employed by Jefferson county, 6 staff employed by Broadwater County, and 4 staff employed by Meagher County

The division also contracted for one community crisis bed each in Butte and Bozeman, with guarantees for payment if the bed is not occupied. The 2011 biennium cost estimated for these contracts is \$337,500.

**LFD
COMMENT**Use of Remainder of Crisis Jail Diversion Funds

The legislature provided funding for this purpose in HB 2 as an ongoing function. LFD staff has requested that AMDD discuss how it will use the remaining crisis jail diversion funds with the legislature, and the impacts of eliminating all but \$54,000 in funding for the program.

Other Grant Expenditures

AMDD provides grants to fund mental health drop in centers. Figure 32 shows each site funded, including a grant to support statewide efforts.

Services for homeless mentally ill persons are funded from a federal categorical grant. The PATH grant requires a 25% state match.

Suicide prevention services support two statewide call centers for people who need immediate assistance.

Figure 32

Grants to Mental Health Drop In Centers - FY 2010		
Name of Grantee	Location	Amount
Eastern MT Mental Health Center	Miles City	\$16,524
Western MT Center Mental Hlth	Gallatin County	68,886
Mental Health America of MT*	Statewide	50,760
South Central Mental Health Center	Billings	155,898
Western MT Mental Health Center	Livingston	87,012
Total		<u>\$379,080</u>
*Formerly Montana Mental Health Association.		

AMDD also provides grants to support citizen and consumer participation in Service Area Authorities, which provide advice to AMDD about mental health services.

Benefits (Services) Costs

Benefits costs are 58% of the FY 2013 budget request, but 31% of total general fund because a significant portion of costs are supported by federal grant funding and federal Medicaid matching funds. State special revenue budgeted as state Medicaid match also reduces general fund cost for AMDD benefits.

Mental health Medicaid services are about 45% of the total division budget. Adult mental health services increase about 15% per year from the FY 2010 base budget through FY 2012 and level off rising 1% between FY 2012 and FY 2013.

LFD COMMENT	<p><u>Medicaid Cost Trends</u></p> <p>Historically, adult mental health Medicaid costs have risen more than 5% per year. Although some of the growth is related to provider rate increases, eligibility and service utilization are the most predominant factors influencing cost trends. Moderations or declines in Medicaid program costs have been related to specific policy or programmatic changes.</p> <p>AMDD has begun the rule making process to reduce case management rates that will become effective during the legislative session. DPHHS is proposing to undertake a five county Medicaid managed care program with the expectation that costs will be reduced by 10%. However, the spending reductions due to these proposals are not included in the AMDD Medicaid 2013 biennium cost estimate. It is unclear what other specific programmatic or policy changes are included in the AMDD Medicaid budget that would reduce the cost trend from an historic growth rate of over 5% to 1% between FY 2012 and FY 2013. The risks associated with estimating Medicaid cost trends are discussed in the DPHHS agency overview.</p>
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Mental Health Expansion/HIFA Waiver

AMDD manages the state funded Mental Health Services Plan (MHSP), including a limited prescription drug benefit. Services are provided to adults with a serious and disabling mental illness with incomes under 150% of the federal poverty level. Funding is from the general fund, health and Medicaid initiatives tobacco tax state special revenue, and federal block grant funds. MHSP service costs in Figure 2 are listed in the “Other Benefits” category, but are related to the Mental Health Expansion/HIFA waiver.

DPHHS received federal approval in late November 2010 to implement a waiver of federal regulations for a limited Medicaid expansion. The mental health expansion waiver will allow up to 800 individuals currently served in state funded MHSP services to transition to Medicaid funded mental health services and receive a basic package of physical health services as well. Currently MHSP funds some mental health services and a limited \$425 monthly prescription benefit. This waiver will expand both mental health and prescription services available to the 800 enrollees as well as add a physical health component. The legislature has discussed this waiver with DPHHS over the last several years.

Historically, the waiver was called the HIFA waiver (Health Insurance Flexibility and Accountability). The components of the waiver have changed over the years due to federal requirements. Originally, the waiver anticipated expanding services to children transitioning from the children’s mental health system to adult mental health services, but that portion of the waiver was not approved.

AMDD will begin to transition 50 individuals per month from MHSP to Medicaid services starting December 1, 2010 with all slots filled by October 2011. Individuals will be picked by lottery. MHSP enrollees with a diagnosis of schizophrenia will receive first enrollment priority followed by those with a diagnosis of bipolar disorder.

Maintenance of Effort

The state is required to maintain the level of state funding for the MHSP program that it spent in federal fiscal year 2009 as a condition of receiving the waiver - \$8,860,518 million annually. AMDD is allowed to count state matching funds for the waiver as part of the maintenance of effort (MOE) in addition to state funds spent for the regular nonMedicaid portion of the MHSP program.

Figure 33 shows the amounts in the 2013 biennium executive budget request that can count toward the waiver MOE compared to the MOE funding level. Including state funded grants supporting MHSP, PACT (Program for Assertive Community Treatment), and the mental health expansion waiver, the estimated amount requested in the executive budget that can count toward maintenance of effort is:

- o \$9,467,074 in FY 2012
- o \$10,328,584 in FY 2013

There is \$2.1 million in state funds supporting MHSP services above the level required for the MOE.

Figure 33

State Funds Supporting MHSP and the Medicaid Expansion/HIFA Waiver						
MHSP Budget Component	FY 2012 Executive Budget Request			FY 2013 Executive Budget Request		
	General Fund	SSR	Total	General Fund	SSR	Total
Mental Health Expansion/HIFA Waiver	\$0	\$1,226,487	\$1,226,487	\$0	\$1,843,997	\$1,843,997
Mental Health Svcs Plan	4,650,374	2,613,056	7,263,430	4,650,374	2,857,056	7,507,430
PACT - MHSP Slots	<u>977,157</u>	<u>0</u>	<u>977,157</u>	<u>977,157</u>	<u>0</u>	<u>977,157</u>
Funds Available for MOE	\$5,627,531	\$3,839,543	\$9,467,074	\$5,627,531	\$4,701,053	\$10,328,584
MOE Requirement			<u>8,860,518</u>			<u>8,860,518</u>
Funding in Excess of MOE Requirement			<u>\$606,556</u>			<u>\$1,468,066</u>
Number Served with Excess MOE Based on FY 2010 Cost			209			507

LFD ISSUE	<p><u>Maintenance of Effort</u></p> <p>It appears that the amount included in the executive budget for the waiver MOE is in excess of the amount required by \$606,556 in FY 2012 and \$1,468,066 in FY 2013. The legislature may wish to review the level of funding for MHSP. LFD staff has requested that AMDD provide information about the impact of budgeting state funds for MHSP only at the MOE level, which would reduce the total funds available for MHSP nonMedicaid services by \$2.1 million over the biennium.</p>
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Match Rate

The mental health expansion waiver budget request does not include sufficient state funds to pay the required Medicaid match for the waiver. AMDD has indicated it will transfer funds from the Mental Health Services Plan (MHSP) as state match for the waiver. The additional match needed is \$1.3 million in FY 2012 and \$1.9 million in FY 2013. AMDD has indicated it will transfer health and Medicaid initiative state special revenue from the regular MHSP program to fund the additional Medicaid match required for the waiver. That transfer is not reflected in the executive budget request.

Home and Community Based Services (HCBS) Waiver

AMDD administers another waiver that provides intensive community support services to Medicaid eligible persons with a serious and disabling mental illness who meet level of care criteria for nursing home or hospital services. This waiver is similar to the one managed by the Senior and Long Term Care Division for physically disabled and elderly persons. The AMDD HCBS waiver was initiated in the 2007 biennium. Figure 34 shows the number of service slots by location.

Figure 34

HCBS Waiver Sites and Capacity		
Site	Actual	Estimated
	FY10	FY11
Billings	46	46
Butte	35	40
Great Falls	39	39
Missoula	0	30
Total Service Slots	120	155

LFD COMMENT	<p><u>Waiver Cost</u></p> <p>LFD staff has requested additional information about the annual cost of HCBS waiver services. Preliminary data received shows a substantial difference in the per slot cost from FY 2008 to FY 2010. LFD will provide historic and projected waiver costs to the legislature for consideration in establishing the appropriation for the HCBS waiver in the 2013 biennium.</p>
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PACT and ICBR

The Program for Assertive Community Treatment (PACT) is provided to Medicaid eligible persons and to MHSP eligible persons. PACT and intensive community based rehabilitation (ICBR) provide stable living and treatment environments for persons who are at high risk of placement in MSH or who transitioned from MSH to the community. ICBR are intensive level adult group home services for persons who have previously been unsuccessful in community placements. PACT is a team of professional and paraprofessionals who work with groups of individuals who must be able to live independently in the community and typically have psychotic disorders.

Figure 35

PACT Slots Available Compared to Filled		
Location	Slots	Filled Slots*
	Billings	82
Great Falls	70	62
Helena	118	115
Kalispell	70	68
Butte	60	56
Missoula	70	56
Total	470	439

*As of November 19, 2010.

There were 406 PACT slots budgeted in FY 2010, but 470 slots available. The increase is due to providers expanding PACT programs. There was a total of 534 persons enrolled in PACT services during FY 2010 at an annual average per capita cost of \$11,138. Figure 35 shows the number of PACT slots available during FY 2011 and the number filled as of November 2011. 36 persons received ICBR services in FY 2010 at an average cost of \$70,656 per person.

Institutional Reimbursement

Institutional reimbursement accounts for some of the revenues received for state institution services. The federal funds budget allows the state to spend the federal portion of Medicaid funds to claim the match, which is deposited to the state general fund.

Chemical Dependency Services

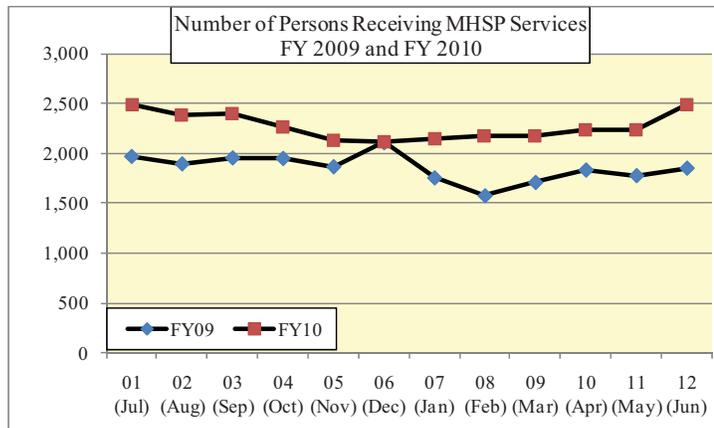
Chemical dependency Medicaid services are budgeted to remain at \$1.8 million throughout the 2013 biennium.

**LFD
ISSUE**Caseload Adjustments, Medicaid Match, and Addition of General FundCaseload and Match

The executive budget does not include additional funds for changes in the number of persons eligible for Medicaid chemical dependency services or service utilization. Nor does it include additional state special revenue to pay the increase in the state match rate. The present law executive budget submitted to the LFD on November 1, 2010 included about \$220,000 over the biennium for both of these adjustments. However, the present law adjustments were removed from the final executive request due to insufficient revenue in the alcohol state special revenue account. Chemical dependency Medicaid services are an entitlement, meaning that if a person is eligible and the service is medically necessary, the state must provide the service. AMDD will need to transfer funds from other programs, or reduce provider rates or service levels if the costs exceed the amount requested in the executive budget.

Addition of General Fund

When the executive budget was developed, Medicaid programs were augmented with general fund equal to the reduction in the temporary increase in the federal Medicaid match rate. Chemical dependency Medicaid services had a general fund appropriation of \$95 for state Medicaid match in FY 2010, with the balance of the state match (\$405,500) supported by alcohol tax state special revenue. The base budget adjustment authorized by HB 645 to account for the discontinuation of the enhanced federal match rate increased the general fund support for chemical dependency Medicaid match to \$170,704. Historically, the entire state match for these services would have been paid from the alcohol state revenue account, but expenditures exceed the revenues in the account.

Figure 36Mental Health Services Plan (MHSP)

MHSP services are funded from the general fund, health and Medicaid initiatives tobacco tax state special revenue, and federal block grant funds. The state special revenue will be transferred to fund the remaining state match required for the mental health Medicaid expansion/HIFA waiver discussed previously. Figure 36 shows the number of persons receiving MHSP services by month for both FY 2009 and FY 2010. The average number increased from 1,856 in FY 2009 to 2,271 in FY 2010.

Increased enrollment caused costs to rise. AMDD took actions to reduce costs, including:

- o Centralizing eligibility determination
- o Limiting eligibility to those in crisis
- o Lower case management rates

Costs exceed the MHSP appropriation despite these management actions. About \$1.0 million in general fund was transferred to the program from state institution appropriations to cover the shortfalls. State institution workers' compensation rates for some staff were too high, resulting in excess appropriation authority. The executive budget removes the transfer.

As noted previously, 800 individuals will transition out of MHSP services to the new mental health expansion waiver and AMDD will transfer state funds from the MHSP program to fully fund state matching requirements for the Medicaid

waiver. LFD staff has asked AMDD to evaluate the amount remaining in the MHSP appropriation and provide information on the numbers of persons that can be served in the state program.

MHSP Funding Change

The 2007 Legislature increased general fund support for MSHP to move from a block grant reimbursement to a fee for service reimbursement methodology. The legislature hoped that more persons could be served more quickly and that more providers would participate in MHSP. Due in part to the MHSP cost overruns in FY 2010, DPHHS began the rule making process in late November 2010 to allow it to move back to block grant funding for MHSP. The rule will be effective during the 2011 legislative session. Block grant funding means that a contracting entity (most likely community mental health centers) will accept a fixed level of funding to provide MHSP services.

LFD COMMENT

Impact of Block Grant Funding

Due to time constraints, information on the impact of moving to block grant funding could not be included in the LFD budget analysis. LFD staff has requested that AMDD provide the following information for legislative consideration:

- Total level of block grant funding compared to FY 2010 base expenditures
- Estimated number of persons served in FY 2010 compared to the block grant funding level
- Estimated impact on service availability under block grant funding

72 Hour Crisis Stabilization

72 hour community crisis stabilization services were initiated in FY 2008. 72 hour crisis stabilization services provide funding for up to 72 hours to evaluate and stabilize a person in crisis. AMDD began implementation by contracting for pilot programs and expanded to all providers July 1, 2009.

Goal 189 Gap Funding

In February 2008, DPHHS declared an exigency situation (difficult situation requiring urgent action) at MSH due to the ongoing high census and implemented Goal 189 to lower the population to 189 or less. DPHHS used some of the excess general fund in Medicaid appropriations (Goal 189 gap funding) to support development of community services for persons ready to be discharged from the state hospital. Services provided include: group home, Program for Assertive Community Treatment (PACT), adult foster care, and medications. There are no eligibility criteria to receive Goal 189 gap funding other than a person needs to be ready for discharge from MSH and has no other payment source available to purchase services. AMDD spent \$1,058,492 general fund in FY 2009 in Goal 189 gap funding, with outlays dropping to \$656,418 in FY 2010.

Chemical Dependency Services

Chemical dependency services are funded from general fund, a small amount of alcohol state special revenue, and a federal categorical grant. Federal grant funds support local programs that provide addiction services to persons with incomes under 200% of the federal poverty level.

The general fund supports seven residential and supportive living services located throughout Montana that were developed in late FY 2008. The goal of the services is to treat addiction, with a focus on methamphetamine. Figure 37 shows contracted service sites and capacity in FY 2010.

Figure 37

Program Data for Meth Treatment Services						
Program	Location	Facility Type	Date Opened	Unduplicated Number Served	Average Length of Stay	Beds
Eastern Montana Community Mental Health Center	Miles City	Men	March 2008	20	388	8
White Sky Hope	Box Elder	Native American Men	July 2008	15	298	8
Flathead Valley CD	Kalispell	Women	September 2008	24	216	8
Gateway Community Services	Great Falls	Native American Women	April 2008	31	197	8
Alcohol & Drug Services of Gallatin County	Bozeman	Men	June 2008	24	177	8
White Birch	Billings	Men				6
Rimrock Treatment Center	Billings	Men and Women	January 2008	80	155	2
Elkhorn Treatment Center	Boulder	Women	March 2008	40	164	4

Source: AMDD, November 26, 2010.

**LFD
COMMENT**Evaluation/Outcome Data

LFD staff requested available evaluation data for meth treatment services. AMDD is compiling the data and will discuss it with the legislature.

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.

The executive budget proposal includes \$ 2.2 million in general fund reductions as well elimination of funding for 8.49 FTE. The balance of the general fund (\$0.4 million) and alcohol tax (\$0.1 million) reductions is not included in the executive budget.

Impact of the Reductions Included in the Executive Budget

Reduce transfer of MHSP overage – AMDD transferred general fund to MHSP in FY 2010, using excess general fund appropriated to the state mental health institutions. MHSP costs exceeded the appropriation and there was excess general fund in state mental health facilities budgets because workers' compensation rates budgeted for some institution employees was too high. This proposal reduces the MHSP expenditures by \$1.0 million general fund per year to offset the transfer. The impact of this reduction will be to reduce the number of persons eligible to receive MHSP services or to reduce the amount of services provided to MHSP enrollees.

17-7-140 operation efficiencies – AMDD will reduce various operating costs, including travel, supplies, cell phone usage, and contracting.

17-7-140 HB 2 mental health crisis jail diversion funding HB 130 – The impact of this reduction would be to remove all but about \$54,000 of the general fund appropriated for these services.

**LFD
COMMENT**

Impact of Elimination of Mental Health Crisis Jail Diversion Funding

LFD staff has requested that AMDD discuss the impact of removing funding for jail diversion crisis services with the legislature.

4% FTE reduction – This proposal will remove funding for 8.49 FTE. 4.50 of the FTE are at the Montana State Hospital. Most of the FTE are vacant. However, 1.00 FTE is filled. 0.50 FTE is one of the 5 half time mental health peer specialist positions added two biennia ago. The impact of removing funding for the FTE is that other positions will absorb additional duties or the duties may no longer be performed.

Impact of Other 5% Reductions

Reduce targeted case management rates – This proposal would reduce rates for targeted case management services based on a time study. The impact would be to lower reimbursement to mental health services providers. DPHHS has proposed rules to implement this rate reduction that would be effective during the legislative session. Therefore, the legislature could act on this proposal during the legislative session.

MCDC reduction in food service costs – This 5% reduction would lower the alcohol state special revenue appropriation for MCDC food services. The facility would need to lower other costs to absorb the reduction or substitute lower cost food items.

**LFD
COMMENT**

Amendment to Statute Required

The legislature would need to amend statute to require transfer of alcohol state special revenue to the general fund. 53-24-108 and 53-24-206, MCA allocate the alcohol taxes to specific uses and appropriate remaining balances in the account at fiscal year end to state approved local chemical dependency programs.

Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as recommended by the Governor.

		Program Funding Table Addictive & Mental Disorders					
		Base	% of Base	Budget	% of Budget	Budget	% of Budget
Program Funding		FY 2010	FY 2010	FY 2012	FY 2012	FY 2013	FY 2013
01000	Total General Fund	\$ 58,190,516	52.5%	\$ 63,633,557	50.0%	\$ 64,265,826	49.5%
	01100 General Fund	58,190,516	52.5%	63,633,557	50.0%	64,265,826	49.5%
02000	Total State Special Funds	10,910,039	9.8%	13,625,341	10.7%	14,511,173	11.2%
	02034 Earmarked Alcohol Funds	4,824,314	4.3%	4,966,758	3.9%	4,972,787	3.8%
	02053 Medicaid Nursing Home Match	1,043,037	0.9%	1,043,037	0.8%	1,043,037	0.8%
	02217 Amdd/Doc Shared Position	77,708	0.1%	77,708	0.1%	77,708	0.1%
	02384 02 Indirect Activity Prog 33	91,391	0.1%	90,235	0.1%	91,536	0.1%
	02691 6901-Msh/Doc Maint Agreement	447,815	0.4%	447,815	0.4%	447,815	0.3%
	02772 Tobacco Hlth & Mediad Initiative	4,340,050	3.9%	6,914,188	5.4%	7,792,708	6.0%
	02987 Tobacco Interest	85,724	0.1%	85,600	0.1%	85,582	0.1%
03000	Total Federal Special Funds	41,814,392	37.7%	50,013,766	39.3%	51,105,974	39.3%
	03082 Spfsig Cfda 93.243	2,290,287	2.1%	2,290,287	1.8%	2,290,287	1.8%
	03171 Data Infrastructure Development	96,395	0.1%	96,189	0.1%	96,159	0.1%
	03505 93.150 - Mntal Hlth - Homeless	294,364	0.3%	294,364	0.2%	294,364	0.2%
	03507 93.958 - Mntal Hlth - Blk Grt	1,143,741	1.0%	1,201,776	0.9%	1,201,776	0.9%
	03508 93.959 - Adad - Blk Grt 100%	5,949,741	5.4%	5,961,404	4.7%	5,961,013	4.6%
	03580 6901-93.778 - Med Adm 50%	890,781	0.8%	959,693	0.8%	959,270	0.7%
	03583 93.778 - Med Ben Fmap	30,883,428	27.8%	38,950,427	30.6%	40,034,958	30.8%
	03601 03 Indirect Activity Prog 33	265,655	0.2%	259,626	0.2%	268,147	0.2%
Grand Total		\$ 110,914,947	100.0%	\$ 127,272,664	100.0%	\$ 129,882,973	100.0%

AMDD services are funded from general fund, state special revenue, and federal funds. General fund provides 50% of the funding in FY 2013 and supports:

- o The two state mental health institutions
- o Most of state match for adult mental health Medicaid services
- o A portion of the cost for the state funded Mental Health Services Plan for low-income adults with a serious and disabling mental illness
- o Community methamphetamine treatment facilities
- o A portion of administrative costs

AMDD is also funded from two major state special revenue sources that account for 11% of total funding in the FY 2013 budget request. The major sources of state special revenue, source of funding, and functions supported are:

- o Health and Medicaid initiatives tobacco tax state special revenue pays a portion of state match for adult mental health Medicaid services, the cost of the MHSP program for prescription drug services, and the state match for the newly approved Medicaid waiver to expand basic Medicaid physical health services to 800 individuals formerly served in MHSP
- o Alcohol taxes fund community chemical dependency services, a portion of the cost for MCDC, state matching funds for Medicaid chemical dependency services, and a portion of division administrative costs
- o County funds for the support of community mental health centers (recorded as Medicaid nursing home match) are transferred to AMDD to pay a portion of the mental health state Medicaid match
- o Tobacco settlement trust fund interest for a portion of mental health state Medicaid match

Alcohol Tax Funding

Figure 38 shows the actual and estimated balance in the alcohol state special revenue account for the base budget and the 2013 biennium executive request. The majority of the revenue is from a portion of the liquor license tax, with smaller amounts from wine and beer taxes allocated to DPHHS. There are two statutory appropriations from these revenues: 20.0% to be distributed as grants to state approved public and private alcoholism programs and 6.6% to be distributed to state approved programs for the treatment of persons with alcoholism and mental illness. In addition, balances remaining from alcohol taxes in the account at fiscal year end are statutorily appropriated for distribution to state approved programs the following year. The two remaining revenues – DPHHS cost recovery and other receipts – are not subject to the statutory appropriation.

Figure 38

Earmarked Alcohol Tax Revenue and 2013 Biennium Budget Request					
Revenue/Expenditures	Base	Appropriation	Executive Budget		% of
Fund Balance	FY 2010	FY 2011**	FY 2012	FY 2013	Total
Beginning Balance	\$491,252	\$0	\$0	\$63,956	
Revenues*					
Liquor License	\$5,367,409	\$5,528,000	\$5,757,000	\$5,998,000	73.5%
Beer Tax	937,912	970,000	984,000	998,000	12.2%
Wine Tax	884,708	959,000	1,003,000	1,046,000	12.8%
DPHHS Cost Recovery***	<u>129,699</u>	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	1.4%
Total Revenue	7,319,728	7,572,000	7,859,000	8,157,000	100.0%
Annual Percent Change		3.4%	3.8%	3.8%	
Total Funds Available	7,810,980	7,572,000	7,859,000	8,220,956	
Disbursements					
Chemical Dependency Cntr (MCDC)	4,305,618	4,475,766	4,402,537	4,406,875	55.7%
Distribution to Counties***	1,487,274	1,491,400	1,548,800	1,608,400	20.3%
Services for Dually Diagnosed***	474,542	492,162	511,104	530,772	6.7%
Cost Allocated Administration	317,170	331,443	345,715	376,830	4.8%
CD Operations	287,718	338,562	333,243	334,934	4.2%
Justice - Crime Lab DUI Tests	307,742	302,618	326,068	327,687	4.1%
CD Medicaid Services/Admin.	210,875	320,606	210,875	210,875	2.7%
Pay Plan and Retirement	0	53,922	0	0	0.0%
Quality Assurance-Licensure	73,268	67,480	71,076	70,945	0.9%
Department of Corrections-Pine Hills	25,523	25,523	25,523	25,523	0.3%
CD Benefits - nonMedicaid	<u>20,103</u>	<u>8,610</u>	<u>20,103</u>	<u>20,103</u>	<u>0.3%</u>
Total Disbursements	7,509,833	7,908,092	7,795,044	7,912,944	100.0%
Adjustments****	<u>(301,147)</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Ending Fund Balance	<u>\$0</u>	<u>(\$336,092)</u>	<u>\$63,956</u>	<u>\$308,012</u>	
Spending Reductions Needed to Balance		<u>(336,092)</u>			
*Revenue estimates for liquor license, beer, and wine tax are based on action taken by the Interim Revenue and Transportation Oversight Committee on November 19, 2010. DPHHS costs recovery uses DPHHS estimates.					
** FY 2011 budgeted amounts are based on 2009 legislative appropriations, except indirect costs, which are based on LFD estimates.					
***26.6 percent of alcohol tax revenues collected by the Department of Revenue are statutorily appropriated for distribution as grants to state approved public or private alcoholism programs. A portion (6.6 percent of total revenue) is appropriated 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. DPHHS cost recovery funds are not included in the statutory appropriation.					

The largest share of alcohol tax supports MCDC (56%), followed by the two statutory appropriations (27%). About 5% of the tax proceeds support indirect cost allocations and about 4% support direct program administration. A small amount of the tax pays the state match for chemical dependency Medicaid services and funds some non-Medicaid services (3% for both). The remainder of the FY 2011 budget request (5%) funds a small portion of administrative costs in the Quality Assurance Division and crime lab tests run by the Department of Justice.

**LFD
ISSUE**Excess Alcohol State Special Revenue

Expenditures from the alcohol tax state special revenue account are projected to exceed revenues by \$336,092 in FY 2011. LFD staff has asked AMDD to identify how it will reduce costs so that the ending fund balance is positive.

With reductions to maintain a positive balance in FY 2011, at the end of FY 2012, there is about \$64,000 of alcohol state special revenue remaining, and a net \$240,000 in FY 2013. These funds attributable to cost recovery are not statutorily appropriated and may roll forward.

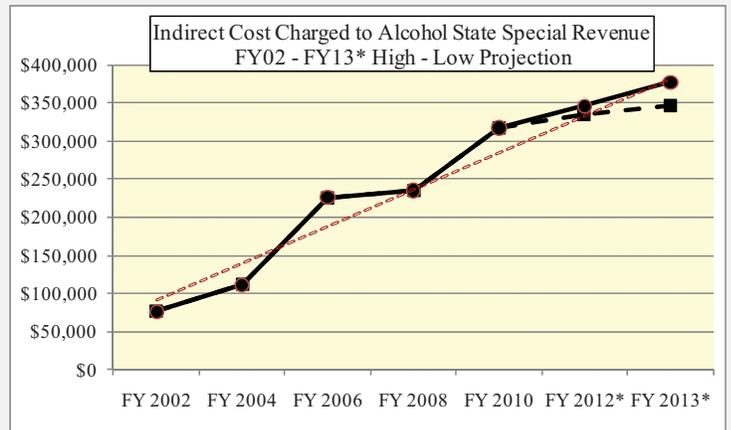
Legislative Option

The legislature could consider appropriating alcohol tax in place of general fund. The legislature could offset general fund used to support other chemical dependency programs, including a portion of the cost for meth treatment group homes. The legislature could also use the funds as Medicaid match in place of general fund appropriated for Medicaid chemical dependency services.

**LFD
ISSUE**Indirect Costs Paid from the Alcohol State Special Revenue Account

Statute requires DPHHS to maximize collection of non-general fund sources in support of overhead costs. The figure shows the amount of indirect cost assessed against the alcohol tax is projected to be 5% of the total account expenditures in FY 2013. Since FY 2004 indirect cost assessments have grown 6% to 16% per year through FY 2010. The LFD estimate of indirect costs for the 2013 biennium assumes a 9% increase – lower than the 16% increase between FY 2008 and FY 2010, but higher than the rate since FY 2004.

The increase in indirect costs has exceeded the increase of most other programs funded from the alcohol tax state special revenue account. Because indirect costs are funded through nonbudgeted transactions, the legislature does not explicitly approve of the amount of alcohol tax allocated to use for overhead administration functions. The issue of indirect cost assessment against state special revenue funds is discussed broadly in the agency overview since some state special revenue accounts do not appear to be assessed costs at the same rate as others.



DPHHS staff provided information that indirect costs assessed against state special revenue funds may decline from the base budget level in the 2013 biennium budget. LFD staff will review the documentation and provide an analysis for consideration by the legislature.

Options for Legislative Consideration:

- The legislature could consider requesting that the methodology and selection of state special revenue accounts for payment of indirect costs be examined during the 2013 biennium interim
- The legislature could request that the LFC or Legislative Audit Committee review the issue and provide recommendations for consideration by the 2013 Legislature as appropriate

The remainder of state special revenue funds support:

- o A shared position with the Department of Corrections and funding for custodial services for the Dr. Xanthopolous building on the MSH campus that houses the WATCH program (alcoholism treatment program for offenders)
- o A portion of division administrative costs

Federal funds and the functions supported by those funds are:

- o Medicaid matching funds for mental health and chemical dependency services and a portion of division administration costs
- o Federal block grant funds for community and state institution chemical dependency services, development of community chemical dependency prevention programs, and a portion of division administrative costs
- o Federal block grant funds for community mental health services, including mental health services for homeless persons

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	58,190,516	58,190,516	116,381,032	90.99%	110,914,947	110,914,947	221,829,894	86.26%
Statewide PL Adjustments	3,355,694	3,373,997	6,729,691	5.26%	(416,959)	(392,360)	(809,319)	(0.31%)
Other PL Adjustments	2,602,115	3,216,081	5,818,196	4.55%	17,289,444	19,875,154	37,164,598	14.45%
New Proposals	(514,768)	(514,768)	(1,029,536)	(0.80%)	(514,768)	(514,768)	(1,029,536)	(0.40%)
Total Budget	\$63,633,557	\$64,265,826	\$127,899,383		\$127,272,664	\$129,882,973	\$257,155,637	

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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,191,824					1,205,120
Vacancy Savings					(1,430,030)					(1,430,548)
Inflation/Deflation					(178,736)					(152,443)
Fixed Costs					(17)					(14,489)
Total Statewide Present Law Adjustments		\$3,355,694	\$142,320	(\$3,914,973)	(\$416,959)		\$3,373,997	\$148,331	(\$3,914,688)	(\$392,360)
DP 33000 - MHSP Pharmacy Benefit and Cost Increases	0.00	0	553,000	0	553,000	0.00	0	797,000	0	797,000
DP 33001 - Med Ben- HCBS Waiver Annualization	0.00	0	545,122	1,067,188	1,612,310	0.00	0	552,377	1,059,933	1,612,310
DP 33002 - Restore OT/Holidays Worked MSH	0.00	1,619,978	0	0	1,619,978	0.00	1,613,397	0	0	1,613,397
DP 33003 - MSH- Medical and Pharmacy Inflation	0.00	367,979	0	0	367,979	0.00	556,531	0	0	556,531
DP 33004 - Restore OT/Holidays Worked NCC	0.00	382,907	0	0	382,907	0.00	395,301	0	0	395,301
DP 33005 - MMHNCC-Medical & Pharmacy Inflation	0.00	220,347	0	0	220,347	0.00	346,568	0	0	346,568
DP 33006 - Med Ben - Mental Health Caseload Adj.	0.00	2,188,392	0	4,284,225	6,472,617	0.00	2,330,406	0	4,471,714	6,802,120
DP 33007 - FMAP Adj - Mental Health	0.00	(526,524)	249,529	276,995	0	0.00	(383,349)	259,284	124,065	0
DP 33012 - Non DofA rent adjustment	0.00	(7,277)	(1,156)	(6,567)	(15,000)	0.00	914	145	825	1,884
DP 33013 - Med Ben--HIFA Waiver	0.00	0	1,226,487	6,434,471	7,660,958	0.00	0	1,843,997	7,491,698	9,335,695
DP 33801 - Reduction to MHSP Base	0.00	(966,812)	0	58,035	(908,777)	0.00	(966,812)	0	58,035	(908,777)
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(57,407)	0	0	(57,407)	0.00	(57,407)	0	0	(57,407)
DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140	0.00	(619,468)	0	0	(619,468)	0.00	(619,468)	0	0	(619,468)
Total Other Present Law Adjustments	0.00	\$2,602,115	\$2,572,982	\$12,114,347	\$17,289,444	0.00	\$3,216,081	\$3,452,803	\$13,206,270	\$19,875,154
Grand Total All Present Law Adjustments	0.00	\$5,957,809	\$2,715,302	\$8,199,374	\$16,872,485	0.00	\$6,590,078	\$3,601,134	\$9,291,582	\$19,482,794

LFD COMMENT General Fund Change in Statewide Present Law Budget – Enhanced Federal Medicaid Match Rate

The statewide present law adjustments include a \$6.7 million general fund increase almost fully offset by a reduction in federal Medicaid matching funds. This funding switch accounts for FY 2010 general fund savings due to the enhanced federal match rate (FMAP) included in the American Recovery and Reinvestment Act of 2009 (ARRA). The 2009 Legislature authorized an automatic adjustment to the adjusted base budget to restore general fund in the amount of increased federal Medicaid matching funds received in FY 2010. This funding change was authorized for all Medicaid services and foster care services funding as well. It is discussed in greater detail in the agency overview.

Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited by LFD staff as necessary for brevity and/or clarity.

- o **Pay Plan Exceptions** – None
- o **Program Specific Obstacles** - For all agency programs, decreased numbers of staff and increased stress and burnout for employees have resulted in fewer internal referrals, decreased satisfaction with work/life balance, lack of available time and resources to train and develop current staff and new recruits, and fear and uncertainty with government job stability. In combination, these factors have led to a shortage of high-level skilled workers

seeking public service work with this agency. The AMDD facilities, including the Montana State Hospital, Montana Chemical Dependency Center and the Montana Mental Health Nursing Care Center, continue to have difficulties attracting and retaining skilled medical professionals.

- o **Vacancy** – Occupations with historically high turnover rates include: registered nurses, licensed practical nurses, psychiatric technicians, and certified nurse aides. Causes for turnover are reported to be high case/workloads, stress, burnout, low wage, increasing cost of living, and market competition for talented workers.
- o **Legislatively Applied Vacancy Savings** - Each agency division was given a target for personal services budget reductions. In general, vacancies were held open until the 7% savings was accomplished. However, the agency managed the vacancy savings needs based on the need for critical needs and resource distribution using an agency-wide strategy. All requests to fill vacant positions were thoroughly scrutinized and considered for final approval by the agency director.
- o **Pay/Position Changes** – There were 7 positions with pay changes including 1 downgrade and 6 upgrades due to reclassification.
- o **Retirements** – 363 of 685 AMDD employees are eligible for full retirement starting in FY 2013. As of the end of FY 2010, 39 had retired. AMDD estimates that 47 employees will retire in the 2013 biennium with an estimated liability of about \$416,000.

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 2012-----				-----Fiscal 2013-----					
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 55433 - 4% FTE Reduction	33	(8.49)	(514,768)	0	0	(514,768)	(8.49)	(514,768)	0	0	(514,768)
Total	(8.49)	(\$514,768)	\$0	\$0	(\$514,768)	(8.49)	(\$514,768)	\$0	\$0	(\$514,768)	

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								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	545.10	0.00	(6.49)	538.61	0.00	(6.49)	538.61	538.61
Personal Services	30,168,350	1,342,677	(384,855)	31,126,172	1,356,368	(384,855)	31,139,863	62,266,035
Operating Expenses	10,518,731	378,517	0	10,897,248	702,964	0	11,221,695	22,118,943
Equipment & Intangible Assets	45,420	0	0	45,420	0	0	45,420	90,840
Grants	2,080,913	0	0	2,080,913	0	0	2,080,913	4,161,826
Benefits & Claims	49,936,040	14,770,640	0	64,706,680	17,018,880	0	66,954,920	131,661,600
Debt Service	1,620	0	0	1,620	0	0	1,620	3,240
Total Costs	\$92,751,074	\$16,491,834	(\$384,855)	\$108,858,053	\$19,078,212	(\$384,855)	\$111,444,431	\$220,302,484
General Fund	55,145,957	5,563,516	(384,855)	60,324,618	6,187,151	(384,855)	60,948,253	121,272,871
State/Other Special	5,722,001	2,574,014	0	8,296,015	3,452,516	0	9,174,517	17,470,532
Federal Special	31,883,116	8,354,304	0	40,237,420	9,438,545	0	41,321,661	81,559,081
Total Funds	\$92,751,074	\$16,491,834	(\$384,855)	\$108,858,053	\$19,078,212	(\$384,855)	\$111,444,431	\$220,302,484

Sub-Program Description

The Mental Health sub-program includes all mental health services, the two state mental health institutions, and mental health services administrative functions. The 2013 biennium budget request grows \$34.8 million compared to base budget expenditures, with \$11.0 million of the increase supported by general fund. The most significant biennial general fund increases are:

- o General fund Medicaid match needed due to discontinuation of the 10% temporary increase in the federal Medicaid match rate - \$7.7 million
- o Total adjustments for MSH and the Nursing Care Center - \$5.5 million general fund to reinstate overtime costs, and fund inflationary increases in food and medical costs
- o Total Medicaid service utilization increases - \$3.6 million

General fund increases are partially offset by reductions in:

- o Mental health jail crisis diversion services - \$1.2 million general fund
- o An appropriation transfer for MHSP cost overruns - \$1.9 million general fund
- o 6.49 FTE - \$0.8 million

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	55,145,957	55,145,957	110,291,914	90.95%	92,751,074	92,751,074	185,502,148	84.20%
Statewide PL Adjustments	2,931,259	2,949,119	5,880,378	4.85%	(835,475)	(817,923)	(1,653,398)	(0.75%)
Other PL Adjustments	2,632,257	3,238,032	5,870,289	4.84%	17,327,309	19,896,135	37,223,444	16.90%
New Proposals	(384,855)	(384,855)	(769,710)	(0.63%)	(384,855)	(384,855)	(769,710)	(0.35%)
Total Budget	\$60,324,618	\$60,948,253	\$121,272,871		\$108,858,053	\$111,444,431	\$220,302,484	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					569,303					577,498
Vacancy Savings					(1,229,511)					(1,229,828)
Inflation/Deflation					(175,555)					(149,646)
Fixed Costs					288					(15,947)
Total Statewide Present Law Adjustments		\$2,931,259	(\$124)	(\$3,766,610)	(\$835,475)		\$2,949,119	(\$142)	(\$3,766,900)	(\$817,923)
DP 33000 - MHSP Pharmacy Benefit and Cost Increases	0.00	0	553,000	0	553,000	0.00	0	797,000	0	797,000
DP 33001 - Med Ben- HCBS Waiver Annualization	0.00	0	545,122	1,067,188	1,612,310	0.00	0	552,377	1,059,933	1,612,310
DP 33002 - Restore OT/Holidays Worked MSH	0.00	1,619,978	0	0	1,619,978	0.00	1,613,397	0	0	1,613,397
DP 33003 - MSH- Medical and Pharmacy Inflation	0.00	367,979	0	0	367,979	0.00	556,531	0	0	556,531
DP 33004 - Restore OT/Holidays Worked NCC	0.00	382,907	0	0	382,907	0.00	395,301	0	0	395,301
DP 33005 - MMHNCC-Medical & Pharmacy Inflation	0.00	220,347	0	0	220,347	0.00	346,568	0	0	346,568
DP 33006 - Med Ben - Mental Health Caseload Adj.	0.00	2,188,392	0	4,284,225	6,472,617	0.00	2,330,406	0	4,471,714	6,802,120
DP 33007 - FMAP Adj - Mental Health	0.00	(526,524)	249,529	276,995	0	0.00	(383,349)	259,284	124,065	0
DP 33013 - Med Ben--HIFA Waiver	0.00	0	1,226,487	6,434,471	7,660,958	0.00	0	1,843,997	7,491,698	9,335,695
DP 33801 - Reduction to MHSP Base	0.00	(966,812)	0	58,035	(908,777)	0.00	(966,812)	0	58,035	(908,777)
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(34,542)	0	0	(34,542)	0.00	(34,542)	0	0	(34,542)
DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140	0.00	(619,468)	0	0	(619,468)	0.00	(619,468)	0	0	(619,468)
Total Other Present Law Adjustments	0.00	\$2,632,257	\$2,574,138	\$12,120,914	\$17,327,309	0.00	\$3,238,032	\$3,452,658	\$13,205,445	\$19,896,135
Grand Total All Present Law Adjustments	0.00	\$5,563,516	\$2,574,014	\$8,354,304	\$16,491,834	0.00	\$6,187,151	\$3,452,516	\$9,438,545	\$19,078,212

General Fund Change in Statewide Present Law Budget – Enhanced Federal Medicaid Match Rate

The statewide present law adjustments include a \$7.7 million general fund increase offset by a reduction in federal Medicaid matching funds. This funding switch accounts for FY 2010 general fund savings due to the enhanced federal match rate (FMAP) included in the American Recovery and Reinvestment Act of 2009 (ARRA). The 2009 Legislature authorized an automatic adjustment to the adjusted base budget to restore general fund in the amount of increased federal Medicaid matching funds received in FY 2010. This funding change was authorized for all Medicaid services and foster care services funding as well. It is discussed in greater detail in the agency overview.

DP 33000 - MHSP Pharmacy Benefit and Cost Increases – This request funds an annual 10% pharmaceutical cost inflation for the Mental Health Services Plan (MHSP) program for \$500,000 per year in state special revenue funds. This funding increase will not be needed since the DPHHS request for the mental health expansion to the basic Medicaid services (HIFA) waiver was approved by the federal government.

DP 33001 - Med Ben- HCBS Waiver Annualization - This request continues the home and community-based waiver at 155 slots. The program is currently operating with 125 slots, with an additional 30 slots planned in FY 2011. FY 2010 expenditures were \$2,167,690. This present law adjustment would add \$3.2 million total funds (\$1.1 million in health and Medicaid tobacco tax state special revenue) to maintain slots at the FY 2011 level.

DP 33002 - Restore OT/Holidays Worked MSH - This request reinstates funding for overtime, shift differential, and on-call and holidays that are removed from the FY 2010 base budget for Montana State Hospital and funding for aggregate positions (coverage for staff on sick leave, vacation leave, and in nurse aide training classes). Costs are related to staffing a facility that must open 24 hours a day, 7 days a week. The request adds \$3.2 million general fund over the biennium. Base expenditures were \$1.6 million.

DP 33003 - MSH- Medical and Pharmacy Inflation - This request funds inflationary increases for pharmacy, outside medical, laundry, and food services expenses at the Montana State Hospital. The hospital provides prescription drugs for residents during their stay at the facility, and incurs costs for medical services outside the facility such as lab, hospital, x-rays, dental, and optometry. The request adds \$0.9 million general fund. Base expenditures for these items were \$2.7 million.

**LFD
COMMENT**Base Expenditures Compared to Increase

The figure below shows each component of the increase compared to base expenditures.

Annual Rate of Change for Inflationary Increases - MSH				
Type of Expenditure	Base	Increase		Annual Rate
	Budget	FY 2012	FY 2013	of Change Base to 2013
Drug	\$1,111,167	\$206,589	\$323,870	8.9%
Medical	372,074	67,927	111,927	9.2%
Laundry	109,074	24,268	24,268	6.9%
Prescription Services	856,881	52,184	79,455	3.0%
Food	<u>221,423</u>	<u>17,011</u>	<u>17,011</u>	2.5%
Total	<u>\$2,670,619</u>	<u>\$367,979</u>	<u>\$556,531</u>	6.5%

Outside medical and drug costs increase 9% per year over base budget costs. Laundry costs grow 7% per year. Food and prescription services increase at the lowest rates – about 3% per year. The additional increase for food is above the inflation adjustment included in statewide present law adjustments.

Operating costs (not including personal services) for the state hospital grow about 3% per year from the base budget to FY 2013 if this request is approved.

Including personal services costs, the annual increase from the base budget would be under 1% (0.6% annually).

DP 33004 - Restore OT/Holidays Worked NCC - This request reinstates overtime, differential, holidays worked and doctor on-call pay costs that are removed from the base budget for Montana Mental Health Nursing Care Center and funding for aggregate positions (coverage for staff on sick leave, vacation leave, and in nurse aide training classes). Costs are related to staffing a facility that must open 24 hours a day, 7 days a week. The request adds \$0.8 million general fund over the biennium. Base expenditures were \$0.4 million.

DP 33005 - MMHNCC-Medical & Pharmacy Inflation - This request funds a 5% inflationary increase for pharmacy contracted services and a 10% inflationary increase for drug costs, outside medical, and dental costs for MMHNCC residents who do not have other forms of insurance. The request adds \$0.6 million general fund over the biennium.

**LFD
COMMENT**Base Expenditures Compared to Increase

The figure below shows base expenditures compared to the increase.

Annual Rate of Change for Inflationary Increases - MMHNCC					
Type of Expenditure	Base		Increase		Annual Rate of Change Base to 2013
	Budget	FY 2012	FY 2013		
Drug	\$890,751	\$187,057	\$294,838		10.0%
Medical	60,188	12,688	19,863		10.0%
Dentistry	6,469	1,310	2,200		10.2%
Prescription Services	<u>188,211</u>	<u>19,292</u>	<u>29,667</u>		5.0%
Total	<u>\$1,145,619</u>	<u>\$220,347</u>	<u>\$346,568</u>		6.3%

Operating costs (not including personal services) for the nursing care center grow about 3% per year from the base budget to FY 2013 if this request is approved. Including personal services costs, the annual increase from the base budget would be over 1% (1.3% annually).

DP 33006 - Med Ben - Mental Health Caseload Adj. - This request adds \$13.3 million total funds (\$4.5 million general fund) over the biennium for projected Medicaid mental health services cost increases. Base expenditures were \$35.3 million.

DP 33007 - FMAP Adj - Mental Health - This request reduces general fund (\$0.8 million over the biennium) and increases state special revenue (\$0.5 million over the biennium) and federal Medicaid funds (\$0.4 million) due to a projected change in the Federal Medical Assistance Participation (FMAP) rates for FY 2012 and FY 2013.

**LFD
COMMENT**State Medicaid Match Rate

The state Medicaid match rate is expected to increase over the 2013 biennium. The adjustment in the AMDD budget reduces general fund despite the match increase in order to adjust state funding to the correct mix. When the adjusted base budget was modified to account for the discontinuation of the temporary increase in the federal Medicaid match rate, too much general fund was added. This adjustment corrects for that error.

DP 33013 - Med Ben--HIFA Waiver - This adjustment provides \$17.0 million, including \$3.1 million in tobacco tax health and Medicaid initiatives state special revenue, to implement the health insurance flexibility and accountability (HIFA) Medicaid waiver program, which was approved by the federal Centers for Medicare and Medicaid Services (CMS) in late November 2010.

The following information is provided so that the legislature can consider various performance measurement principles when examining this proposal. It is submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity.

Expanded Justification

Over the life of the waiver, up to 800 individuals with schizophrenia or bi-polar disorder will transition from the state funded Mental Health Services Plan (MHSP) to Medicaid. Individuals, who are transitioned to Medicaid, will be able to access health care for physical as well as psychiatric illnesses. Additionally, implementation of the HIFA waiver will improve the financial sustainability of the state-funded MHSP by transitioning the most ill clients to Medicaid.

This present law adjustment requests funding to continue to implement the MHSP amendment to the DPHHS 1115(e) basic Medicaid waiver (HIFA) that is expected to be approved by CMS during FY 2011.

Goals

- o Transition up to 800 individuals with schizophrenia or bi-polar disorder from MHSP to a basic Medicaid benefit that includes both mental and physical health care
- o Improve the services available and well-being of a seriously mentally ill population

Performance Criteria

Serve the physical and mental health needs of 800 individuals with schizophrenia or bi-polar disorder under the waiver

Milestones

Transition up to 800 individuals with schizophrenia or bi-polar disorder from MHSP to Medicaid waiver services prior to December 31, 2011

FTE

None requested

Funding Sources

Federal Medicaid funds and tobacco tax health and Medicaid initiatives state special revenue

The state special revenue funding will be partially provided through a reduction in funding for the MHSP pharmacy benefit. This waiver will provide a cost savings to the state by leveraging federal Medicaid dollars with a state matching requirement.

Future Funding

Federal Medicaid funds and tobacco tax health and Medicaid initiatives state special revenue matching funds. State special revenue will be provided through a reduction in funding for the MHSP pharmacy program. The MHSP waiver program will provide a cost savings to the state by leveraging federal Medicaid dollars with a state matching requirement.

Obstacles

Identification of targeted recipients to be served and ensuring that they are transitioned to receive Medicaid services in a timely and appropriate manner

Risks

If the legislature does not approve the federal funds appropriation, the state-funded program is at risk for continued demand exceeding the available fiscal resources.

**LFD
ISSUE**Legislature Could Use Goal and Performance Measures Submitted for Federal Approval

In addition to the performance measure of the number of persons to receive services with the addition of date by which all persons are to be enrolled, the legislature may wish to consider using some of the same objectives and criteria submitted for federal approval the waiver. DPHHS submitted 1 goal, 5 objectives, and 27 measures for federal evaluation of the HIFA waiver in the concept paper describing the waiver application. Some of the measures that appear to be most applicable to persons with a serious and disabling mental illness are listed below.

Goal: Reduce the uninsurance rate for low-income individuals by providing coverage through the (waiver) demonstration

Objectives:

- 1) Analyze individuals who have gained insurance through the waiver to determine the effect on the insurance rate
- 2) Determine and analyze waiver individuals covered by employer sponsored and private insurance plans
- 3) Observe participants' views of quality of care and identify quality of care issues.

Examples of Measures:

- a) Compare and contrast the number of waiver participants, Medicaid recipients, and the Montana population as a whole, covered by employer sponsored and private plans
- b) Determine levels of functioning in different waiver groups for physical, mental, activities of daily living, employment, and social in regard to receiving HIFA benefits
- c) Determine adequacy of provider choice for waiver population
- d) Determine quality of care for waiver population
- e) Determine access to care for waiver population

DP 33801 - Reduction to MHSP Base - This proposal reduces general fund by \$2.0 million over the biennium to lower the 2013 biennium MHSP appropriation to the level established by the 2009 Legislature. Enrollment and service utilization in MHSP spiked in FY 2010. Mitigation activities undertaken by AMDD included limiting enrollment by shifting eligibility determination to division staff, limiting eligibility to those persons most in need of services, and capping monthly case management reimbursement. However, despite these cost containment efforts, the program expenditures exceeded the amounts appropriated for MHSP. The division covered the MHSP shortfall by transferring funds from the appropriations for the 72 hour community crisis diversion program and personal services costs at the state mental health institutions. This reduction removes the additional expenditures from the base. Other mitigation plans are in progress to maintain the program at this level.

DP 55140 - AMDD Operations Efficiencies 17-7-140 - This decision package reduces the general fund base budget by \$57,407 each year for the Addictive and Mental Disorders division to continue FY 2011 reductions made by the Governor under 17-7-140, MCA. AMDD would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

DP 55141 - HB130 Crisis Divrsn Fndng in HB2 17-7-140 - This reduction lowers the general fund base budget by \$619,468 each year for mental health crisis jail diversion services implemented in three bills recommended by the Interim Committee on Law and Justice and passed by the 2009 Legislature (HB 130, 131, and 132 and codified as Title 53, Title 21, Part 12, MCA). This amount represents a 5% spending reduction implemented in FY 2011 under the Governor's spending reductions pursuant to 17-7-140, MCA. Ongoing expenditures would be about \$54,000.

**LFD
ISSUE**Impact of Reduction

LFD staff requested that AMDD complete the expanded justification for this reduction. The information was not available during preparation of the LFD budget analysis. LFD staff requested that AMDD provide the information to the legislature during is appropriation deliberations.

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										
Sub Program	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55433 - 4% FTE Reduction										
01	(6.49)	(384,855)	0	0	(384,855)	(6.49)	(384,855)	0	0	(384,855)
Total	(6.49)	(\$384,855)	\$0	\$0	(\$384,855)	(6.49)	(\$384,855)	\$0	\$0	(\$384,855)

DP 55433 - 4% FTE Reduction - This request eliminates funding for 8.49 FTE with a total reduction of about \$1 million general fund over the biennium. These reductions include two positions in the division administration sub-program, which are both vacant, and the balance from the mental health services sub-program - 0.50 FTE from the services bureau, 4.50 FTE from MSH, and 2.99 FTE from MMHNCC. In addition, a reduction of \$81,890 in operating expenses at the MMHNCC is proposed. All but 1.00 of the FTE in the Mental Health Services sub-program is vacant. This reduction is included in the division 5% reduction plan.

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								
Budget Item	Base Budget Fiscal 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	67.25	0.00	0.00	67.25	0.00	0.00	67.25	67.25
Personal Services	3,539,366	166,791	0	3,706,157	170,461	0	3,709,827	7,415,984
Operating Expenses	2,185,618	(3,233)	0	2,182,385	(1,097)	0	2,184,521	4,366,906
Grants	2,877,586	0	0	2,877,586	0	0	2,877,586	5,755,172
Benefits & Claims	8,175,709	0	0	8,175,709	0	0	8,175,709	16,351,418
Total Costs	\$16,778,279	\$163,558	\$0	\$16,941,837	\$169,364	\$0	\$16,947,643	\$33,889,480
General Fund	2,098,394	170,015	0	2,268,409	170,346	0	2,268,740	4,537,149
State/Other Special	5,018,939	142,444	0	5,161,383	148,473	0	5,167,412	10,328,795
Federal Special	9,660,946	(148,901)	0	9,512,045	(149,455)	0	9,511,491	19,023,536
Total Funds	\$16,778,279	\$163,558	\$0	\$16,941,837	\$169,364	\$0	\$16,947,643	\$33,889,480

Sub-Program Description

The Addiction Treatment and Prevention sub-program includes all chemical dependency services, MCDC, and administrative functions. The budget request grows \$0.3 million over the biennium compared to the FY 2010 base budget, including \$0.3 million general fund. Reductions in federal funds due to the discontinuation of the temporary federal Medicaid match rate change offset increases in alcohol tax state special revenue that support MCDC pay plan costs.

Statewide present law adjustments for annualization of the FY 2011 health insurance increase in the 2011 biennium pay plan and funding for positions that were vacant a portion of FY 2010 add about \$330,000 over the biennium. There are no other changes proposed to this budget in the executive request.

LFD COMMENT	<p><u>General Fund for State Medicaid Match</u></p> <p>General fund was added as state match for base budget chemical dependency Medicaid services, increasing the general fund commitment from \$95 to \$170,000 annually. This funding switch was made during development of the Governor’s budget request to offset the loss of the temporary increase in the federal Medicaid match rate pursuant to HB 645. There was insufficient funding in the alcohol tax state special revenue account to offset the loss of federal matching funds so the state share was switched to general fund. There is a discussion of other present law budget adjustments that were removed from the executive present law budget due to the short fall in alcohol tax following the present law adjustment table.</p>
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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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	2,098,394	2,098,394	4,196,788	92.50%	16,778,279	16,778,279	33,556,558	99.02%
Statewide PL Adjustments	170,015	170,346	340,361	7.50%	163,558	169,364	332,922	0.98%
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%
Total Budget	\$2,268,409	\$2,268,740	\$4,537,149		\$16,941,837	\$16,947,643	\$33,889,480	

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 2012-----				-----Fiscal 2013-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					321,218					325,039
Vacancy Savings					(154,427)					(154,578)
Inflation/Deflation					(2,928)					(2,555)
Fixed Costs					(305)					1,458
Total Statewide Present Law Adjustments		\$170,015	\$142,444	(\$148,901)	\$163,558		\$170,346	\$148,473	(\$149,455)	\$169,364
Grand Total All Present Law Adjustments	0.00	\$170,015	\$142,444	(\$148,901)	\$163,558	0.00	\$170,346	\$148,473	(\$149,455)	\$169,364

LFD COMMENT

Present Law Adjustments Removed

Present law adjustments for the following items were originally included in the executive present law budget, but removed due to insufficient funds in the alcohol state special revenue taxes supporting chemical dependency services:

- o \$0.9 million in alcohol tax state special revenue funds for overtime, differential, holidays worked, and doctor on-call pay, funding for aggregate positions removed from the base budget for MCDC, and inflationary increases in pharmacy costs
- o \$0.6 million total funds, including a \$0.2 million in alcohol tax state special revenue request for Medicaid caseload and utilization growth for chemical dependency services
- o \$50,000 in alcohol tax state special revenue funds and corresponding decrease in federal Medicaid funds over the biennium

Funding for MCDC

AMDD may be able to fund personal services and inflation for MCDC from the chemical dependency federal block grant. However, that action would lower the amount distributed to community programs

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ISSUE CONT.**

Funding for Medicaid Services

If there is excess appropriation authority in other Medicaid services, funds could be transferred to the chemical dependency Medicaid program. However, if there is insufficient state funding for the program, AMDD would need to reduce service levels or provider rates.

Alcohol State Special Revenue

There may be as much as \$60,000 in alcohol tax revenue in FY 2010 and another \$240,000 in FY 2013 above the appropriated level that could be applied to fund present law costs for chemical dependency services. The legislature could also consider limiting other expenditures from the alcohol tax if it considered funding these present law costs to be a higher priority.

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 2010	PL Base Adjustment Fiscal 2012	New Proposals Fiscal 2012	Total Exec. Budget Fiscal 2012	PL Base Adjustment Fiscal 2013	New Proposals Fiscal 2013	Total Exec. Budget Fiscal 2013	Total Exec. Budget Fiscal 12-13
FTE	16.00	0.00	(2.00)	14.00	0.00	(2.00)	14.00	14.00
Personal Services	850,955	255,211	(129,913)	976,253	256,441	(129,913)	977,483	1,953,736
Operating Expenses	347,139	(38,118)	0	309,021	(21,223)	0	325,916	634,937
Grants	187,500	0	0	187,500	0	0	187,500	375,000
Total Costs	\$1,385,594	\$217,093	(\$129,913)	\$1,472,774	\$235,218	(\$129,913)	\$1,490,899	\$2,963,673
General Fund	946,165	224,278	(129,913)	1,040,530	232,581	(129,913)	1,048,833	2,089,363
State/Other Special	169,099	(1,156)	0	167,943	145	0	169,244	337,187
Federal Special	270,330	(6,029)	0	264,301	2,492	0	272,822	537,123
Total Funds	\$1,385,594	\$217,093	(\$129,913)	\$1,472,774	\$235,218	(\$129,913)	\$1,490,899	\$2,963,673

Sub-Program Description

The executive budget request for the AMDD division administration function grows about \$200,000 general fund over the biennium from a base expenditure level of \$1.4 million. Increases in personal services are partially offset by elimination of funding for 2.00 FTE.

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 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent Of Budget
Base Budget	946,165	946,165	1,892,330	90.57%	1,385,594	1,385,594	2,771,188	93.51%
Statewide PL Adjustments	254,420	254,532	508,952	24.36%	254,958	256,199	511,157	17.25%
Other PL Adjustments	(30,142)	(21,951)	(52,093)	(2.49%)	(37,865)	(20,981)	(58,846)	(1.99%)
New Proposals	(129,913)	(129,913)	(259,826)	(12.44%)	(129,913)	(129,913)	(259,826)	(8.77%)
Total Budget	\$1,040,530	\$1,048,833	\$2,089,363		\$1,472,774	\$1,490,899	\$2,963,673	

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 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					301,303					302,583
Vacancy Savings					(46,092)					(46,142)
Inflation/Deflation					(253)					(242)
Total Statewide Present Law Adjustments		\$254,420	\$0	\$538	\$254,958		\$254,532	\$0	\$1,667	\$256,199
DP 33012 - Non DofA rent adjustment	0.00	(7,277)	(1,156)	(6,567)	(15,000)	0.00	914	145	825	1,884
DP 55140 - AMDD Operations Efficiencies 17-7-140	0.00	(22,865)	0	0	(22,865)	0.00	(22,865)	0	0	(22,865)
Total Other Present Law Adjustments	0.00	(\$30,142)	(\$1,156)	(\$6,567)	(\$37,865)	0.00	(\$21,951)	\$145	\$825	(\$20,981)
Grand Total All Present Law Adjustments	0.00	\$224,278	(\$1,156)	(\$6,029)	\$217,093	0.00	\$232,581	\$145	\$2,492	\$235,218

DP 33012 - Non DofA rent adjustment - This present law adjustment requests funding to pay the leases on non-state owned buildings. Reductions due to the Governor's lease negotiations and increases for leases that could not be reduced were factored into this calculation. This request decreases general fund by \$7,277 in FY 2012 and increases general fund by \$914 in FY 2013.

DP 55140 - AMDD Operations Efficiencies 17-7-140 - This decision package reduces the general fund base budget by \$57,407 each year to continue FY 2011 reductions made by the Governor under 17-7-140, MCA. AMDD would make operations reductions through efficiencies in the areas of travel, conferences, supplies, newspaper ads, cell phone use, postage and contracting.

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	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Sub Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 55433 - 4% FTE Reduction											
03	(2.00)	(129,913)	0	0	(129,913)	(2.00)	(129,913)	0	0	(129,913)	
Total	(2.00)	(\$129,913)	\$0	\$0	(\$129,913)	(2.00)	(\$129,913)	\$0	\$0	(\$129,913)	

DP 55433 - 4% FTE Reduction - This request eliminates funding for 8.49 FTE with a total reduction of about \$1 million general fund over the biennium. These reductions include two positions in the division administration sub-program, which are both vacant, and the balance from the mental health services sub-program - 0.50 FTE from the services bureau, 4.50 FTE from MSH, and 2.99 FTE from MMHNCC. In addition, a reduction of \$81,890 in operating expenses at the MMHNCC is proposed. All but 1.00 of the FTE in the Mental Health Services sub-program is vacant. This reduction is included in the division 5% reduction plan.