

Department of Public Health & Human Services 2013 Biennium Work Plan

Background:

HB 676 directs the Department to “prepare a work plan with goals, milestones and measures to guide its review of options to identify, evaluate and select initiatives to reduce ongoing state spending in its 2013 biennium budget submission”. The Department submitted the initial work plan to the Legislative Finance Committee at the June 15, 2009 meeting, and will submit updates at upcoming meetings.

Preface:

The Department has embarked on an 18-month work plan in response to a legislative directive from the 2009 legislative session. Budget reductions and one-time-only appropriations for services, activities, benefits and provider rates in the 2011 biennium will have a significant effect on the 2013 biennium budget. The Department is reviewing the overall effect of the appropriations decisions, including the directive in HB676 to review alternatives to reduce ongoing state spending.

The goal of the 18-month work plan is to balance expectations for services and programs with the resources to provide them in compliance with laws and regulations. The work plan will result in areas of consideration for the legislature to reduce state spending.

Work Plan:

The Department will review options to identify, evaluate, and select initiatives to reduce ongoing state spending in the 2013 budget submission, as required by HB676.

Work Plan Goal:

The goal of the 18-month work plan will be to balance expectations for services and programs with the resources to provide them in compliance with laws and regulations. The effect of the spending reductions will be evaluated to determine those that:

1. Have the least impact on clients' health and safety
2. Affect the least number of clients and are equitable in their effect
3. Protect the most vulnerable clients
4. Are cost-effective and efficient to implement
5. Are not required by state or federal law
6. Do not shift costs inappropriately to other areas or funding streams
7. Mitigate unintended consequences of the reductions

Areas of Consideration:

The department's work plan includes the following steps:

1. Reviewing current initiatives that enable the department to live within its budget
2. Evaluating the impact of past funding reductions
3. Identifying operational efficiencies to deliver services
4. Examining provider rates
5. Exploring program reductions, program elimination, and changes in program scope, including considering recipient service reductions or changes and eligibility requirement changes (while maintaining compliance with ARRA)

Statutory Consideration:

Section 53-6-101, MCA, was amended previously by directing the department and the legislature to consider funding principles when considering changes that either increase or reduce services. This section applies to the review directed by HB 676.

53-6-101. Montana medicaid program -- authorization of services. (1) There is a Montana medicaid program established for the purpose of providing necessary medical services to eligible persons who have need for medical assistance. The Montana medicaid program is a joint federal-state program administered under this chapter and in accordance with Title XIX of the Social Security Act, 42 U.S.C. 1396, et seq. The department shall administer the Montana medicaid program.

(2) The department and the legislature shall consider the following funding principles when considering changes in medicaid policy that either increase or reduce services:

(a) protecting those persons who are most vulnerable and most in need, as defined by a combination of economic, social, and medical circumstances;

(b) giving preference to the elimination or restoration of an entire medicaid program or service, rather than sacrifice or augment the quality of care for several programs or services through dilution of funding; and

(c) giving priority to services that employ the science of prevention to reduce disability and illness, services that treat life-threatening conditions, and services that support independent or assisted living, including pain management, to reduce the need for acute inpatient or residential care.

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Milestones, Timeframe & Measure:

The following table presents the work plan and estimated timeframes for each area of consideration. The timeframes will be adjusted as necessary to complete the review of alternatives.

Milestones	Timeframe	Measure
Develop work plan	June 15, 2009	Presentation to LFC/CFHHC
Periodic Updates to LFC & CFHHC	Quarterly	Status Reports to LFC/CFHHC
Analyze areas of consideration	Ongoing	Status Reports to LFC/CFHHC
Area of Consideration #1	Sept 10, 2009	Review initiatives
Area of Consideration #2	Sept 10, 2009	Review 2003 reductions
Area of Consideration #3	July 1, 2009	Restrict travel and hiring
Area of Consideration #4	April, 2010	Examine provider rate issues
Area of Consideration #5	August, 2010	Explore program changes
Prepare report on Areas of Consideration	October, 2010	Report submitted

Work Plan – Implications of OTO Funding on Services and Programs:

The following table presents the costs that would be incurred by the department to continue initiatives, services and programs that were funded with one-time-only (OTO) appropriations in the 2009 legislative session.

The American Recovery and Reinvestment Act (ARRA) provided one-time funding to assist states with the recessionary pressures being faced. Federal funding was provided to the department for programs and services for those most in need of assistance with hunger, shelter, and human services. In addition, the state received \$163 million in Medicaid Federal Matching Assistance (FMAP) funds, freeing up a like amount for discretionary projects in Montana, including infrastructure development. Of these funds, \$40 million was set aside as one-time-only appropriation for the growth in Medicaid enrollment expected due to the economic downturn in the 2011 biennium.

Charts 1 and 2 on the following pages illustrate the 2013 biennium budget pressures the department will likely face. ARRA funds in FY 2008 - 2010 have enabled the department to provide services to persons affected by the economic downturn. The department's budget for the 2011 biennium includes a mandatory set-aside of the "hold harmless" portion of ARRA FMAP funds, which will be diverted to a special revenue account for use in the 2013 biennium. Chart 3 illustrates the additional Structural Balance OTO funding in the 2011 biennium. The department will not be able to provide the services in Chart 2 without funding decisions by the executive and the legislature, and will be required to look for additional reductions due to the Structural Balance OTO in Chart 3.

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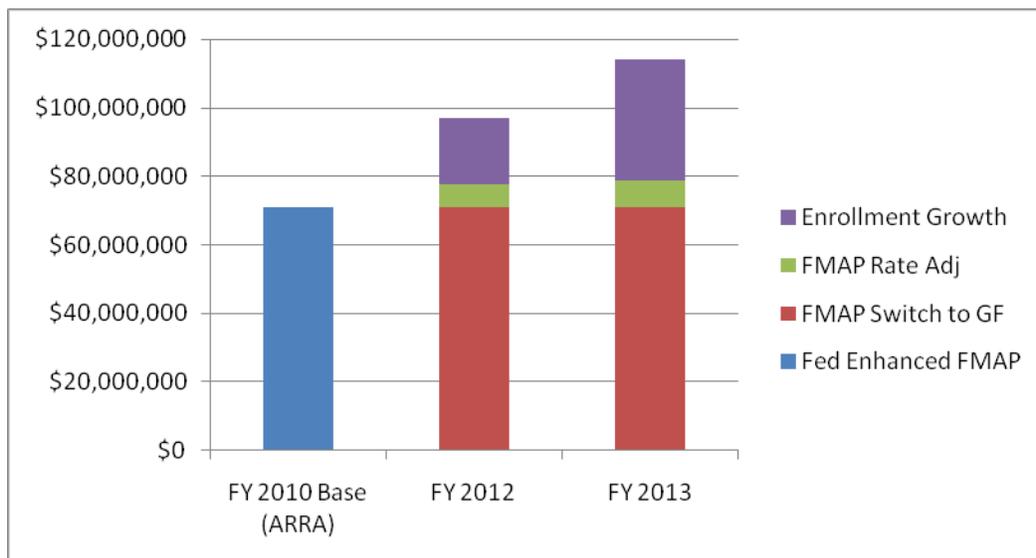
Chart 1 2013 Biennium Budget Pressures	General Fund		Total 2013
	FY2012	FY2013	Biennium
Base FMAP switch from federal funds(*1)	\$ 71,000,000	\$ 71,000,000	\$ 142,000,000
Medicaid Caseload Pressures:			
Projected FMAP rate adjustment (*2)	6,640,000	7,840,000	14,480,000
Enrollment growth adjustment, net (*3)	19,436,116	35,234,635	54,670,751
Total Medicaid Caseload Pressure	26,076,116	43,074,635	69,150,751

Notes

(*1) **Base FMAP switch from federal funds:** The 2011 biennium appropriation included ARRA enhanced FMAP that is switched to general funds as of Dec. 31, 2010, when ARRA ends. The FY 2010 enhanced federal FMAP funding of \$71 million is included in the FY 12-13 general fund base, per HB 645.

(*2) **Projected FMAP rate adjustment:** Beginning on January 1, 2011, the FMAP rate reverts to the non-enhanced state share. The amount shown is the estimated difference between the FY 2010 budgeted rate of 67.49% and the projected rates of 66.66% in FY 2012 and 66.51% in FY 2013 for current caseload size. Each percentage point is estimated as a general fund cost of \$8 million. The calculation on line 2 shows the amount above base in line 1.

(*3) **Enrollment growth adjustment:** The Medicaid program caseload cost is projected to grow above the FY 2010 base by an additional amount based on the estimated growth in enrollment as shown above. Caseload costs are estimated at the projected FMAP rate of 66.66% for FY 2012 and 66.51% for FY 2013. Caseload costs are the number of people enrolled times the number of services provided times the cost of the services. This figure above is net of projected \$16 million ARRA Hold Harmless funds set aside in a State Special Revenue Account for the 2013 biennium.



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Chart 2			
Ongoing Pressure for 2011 GF OTOs	General Fund		Total 2013
HB 2 One Time Only Funding 2011B (*1)	FY2012	FY2013	Biennium
Transitions Coordinator	\$ 50,019	\$ 50,019	\$ 100,038
Autism Home	200,000	200,000	400,000
Medicaid Transplants	997,877	997,877	1,995,754
Community Waiver (SLTC)	1,539,981	1,539,981	3,079,962
TBI Resource Facilitation	100,000	100,000	200,000
Assisted Living Rates	310,000	310,000	620,000
Subtotal HB 2 OTOs	3,197,877	3,197,877	6,395,754
HB 645 One Time Only Funding 2011B (*1)			
Provider Rates - continue at FY11 level	10,333,165	10,333,165	20,666,330
Direct Care Worker Wages at FY11 level	2,446,846	2,446,846	4,893,692
Child Care Rate Increases/cont at FY11 level	1,162,186	1,162,186	2,324,372
System of Care	333,500	333,500	667,000
Indian Property Exclusion	310,188	310,188	620,376
Community Aging Services	58,919	58,918	117,837
Implement HB-130-131-132	250,000	250,000	500,000
Subtotal HB 645 OTOs	14,894,804	14,894,803	29,789,607
HB645 Federal Funds Displacement Pressure (*2)			
IDEA Part C	1,069,921	1,069,921	2,139,842
Community Aging Services	1,441,081	1,441,082	2,882,163
Vocational Rehabilitation State Grants	1,000,000	1,000,000	2,000,000
County Health Grants - Asbestos	1,000,000	1,000,000	2,000,000
Subtotal Fed Funds Displacement	4,511,002	4,511,003	9,022,005
Total Ongoing Budget Pressure	22,603,683	22,603,683	45,207,366
Notes			
(*1) Ongoing budget pressure is the potential pressure for ongoing services or programs that were funded with one-time-only funding through HB 2 or HB 645 in the 2009 legislative session. The services and programs will not be in the base for the 2013 biennium.			
(*2) ARRA provided one-time-only federal funds for services and programs that will not be continued in the 2013 biennium unless funded through the appropriations process. The 2011 biennium federal funds shown in this category would be switched for state funds if continued.			

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Chart 3 2013 Biennium Budget Reductions		House Bill 2		
<u>Structural Balance OTO Funding 2011 Biennium</u>		FY 2010	FY2011	2011 Biennium
Disability Services Division		\$ 1,252,469	\$ 1,322,868	\$ 2,575,337
Health Resources Division		6,602,567	7,169,677	13,772,244
Senior & Long Term Care Division		2,476,265	2,482,536	4,958,801
Addictive & Mental Disorders Division		318,879	374,740	693,619
Total Structural Balance OTO Funding		\$ 10,650,180	\$ 11,349,821	\$ 22,000,001

Total Department Funding Pressure:

The department is reviewing the 2013 biennium budget pressures as part of the Work Plan identified in this document. The department's 2013 biennium budget pressures for Medicaid include an FMAP rate adjustment and growth projection of \$69 million, shown in Chart 1. Other budget pressures include OTO programs shown in Chart 2 of \$45 million general fund, and the Structural Balance OTO of \$22 million, shown in Chart 3. **Budget pressures for the 2013 biennium total \$136 million general fund as a result of funding decisions made by the 2009 Legislature, and contrary to the Executive's recommendations.**

Budget Reduction Work Plan – Areas of Consideration

1. Reviewing current initiatives that enable the department to live within its budget.
 - a. Budget status report through October 31, 2009, available November, 2009, projects \$13.8 million general fund deficit for FY 2010, including the \$8.2 million dollar transfer to the Hold Harmless account, and net of restricted and biennial appropriations.
 - b. Projections for 2013 biennium, including Medicaid and OTO information included in this report.
 - c. Evaluate Medicaid cost recovery and cost avoidance efforts to identify opportunities for enhanced recoveries and cost avoidance.

2. Evaluating the impact of past funding reductions.
 - a. Report dated January 13, 2003 to Rep. Edith Clark, chair of the Children and Families Health and Human Services Interim Committee.
 - b. Analysis of past funding reductions: Budget reductions and increases were made in the executive budget through legislative action, depending on the need for programs and services and the public funds available.

3. Identifying operational efficiencies to deliver services.

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- a. The department is analyzing progress toward meeting the 7% vacancy savings target. The Director approves all requests to fill vacancies.
 - b. The Director approves all out-of-state travel requests, except for emergency and statutory child or client visits. For the first quarter of FY2010, the department has reduced travel costs for non-statutory client-related travel by \$68,510 compared with the same quarter last year (\$6,996 general funds, \$4,553 state special, \$55,540 federal and \$1,421 long-range IT funds).
 - c. The department conducts public and staff meetings through on-line “webinar” tools where possible, enabling participation in essential functions and events without requiring travel. This initiative reduces travel expense, helps meet the 20x10 energy reduction goals, and provides for enhanced public participation.
4. Examining provider rates.
- a. For the 2011 biennium, providers were appropriated a one-time-only rate increase of 2% in FY2010 and an additional 2% in FY2011 in HB 645. For the 2013 biennium, the rates will revert to the 2009 biennium rates.
 - b. In addition, direct care workers received one-time-only bonuses of \$1.9 million in FY2010 and \$2.5 million in FY2011 in the SLTC division budget.
 - c. Effective program management includes balancing availability of providers and services with the costs of the services.
5. Program reductions, program elimination, and changes in program scope, including considering recipient service reductions or changes and eligibility changes (while maintaining compliance with ARRA)
- a. Medicaid is an entitlement program and may not be reduced or eliminated, except as noted below.
 - b. DPHHS programs provide a wide array of services and benefits. Reductions in Medicaid alone will not result in \$22 million general fund savings due to federal requirements. Other state-funded or partially state-funded programs and services will be considered.
 - c. 53-6-101, MCA, directs the department and legislature to consider following funding principles when considering changes in Medicaid policy that either increase or reduce services. Principles include protecting those most vulnerable and most in need; eliminating an entire program or service rather than sacrifice quality through dilution of funding; and giving priority to services that reduce disability and illness and treat life-threatening conditions and support independent or assisted living.
 - d. Changes to Medicaid may only be made by amendments to the State Plan, which require CMS approval. A core set of mandatory services may not be eliminated. Demonstration projects are not permitted. Waivers may be requested for cost-neutral changes to the State Plan if approved by CMS, but the federal review and approval process may be extensive. Optional services for adults may be changed or eliminated through state plan amendments with CMS approval. Optional services for people 21 years of age and younger cannot be eliminated due to federal EPSDT requirements.

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- e. While ARRA is in place, states are prohibited from making changes in Medicaid program eligibility. ARRA is effective through December, 2010. If ARRA were to be extended by Congress into the 2013 biennium, Montana might not be able to make eligibility changes without jeopardizing the enhanced FMAP rate.
- f. Changes in eligibility requirements may only be made by amending the State Plan, with CMS approval.
- g. These areas will be considered by the end of August, 2010 and a report will be submitted in October, 2010.