



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Legislative Fiscal Analyst
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DATE: September 29, 2005

TO: Legislative Finance Committee

FROM: Lois Steinbeck
Senior Fiscal Analyst

RE: Medicaid and Budget Status Reports Required by 53-6-110, MCA

SB 93, sponsored by Senator Cobb, and requested by the Legislative Finance Committee (LFC) amended 53-6-110(4), MCA. SB 93 clarified when the Department of Public Health and Human Services (DPHHS) must submit monthly and fiscal year end Medicaid and department wide budget status reports to the LFC for its review.

The bill was effective on passage and approval. To date, the LFC has received three reports pursuant to 53-6-110(4), MCA – the first two in May and June and the most recent for 2005 fiscal year end. A FY 2005 department wide summary and division summaries are attached.

DPHHS reverted \$2 million general fund, or 0.726 percent of the FY 2005 general fund appropriation. The department would have incurred a \$3 million general fund deficit without the \$4.5 million general fund supplemental appropriation authorized by the 2005 Legislature and \$0.5 million of carry forward authority for the Children's Health Insurance Program (CHIP).

Other FY 2005 budget status highlights are:

- o The total reversion was \$74 million or 6 percent of the total appropriation including:
 - o \$62 million in federal appropriation authority, \$10.5 million in state special revenue appropriation authority, and \$2 million general fund
- o \$54 million of the reversion was in the benefits category of expenditure and \$20 million in personal services, operating, and equipment
- o The \$54 million reversion in benefits was comprised:
 - o Primarily of federal funds
 - o Primarily in Medicaid services:
 - o Primary care services (hospital, physician, drugs) - \$20 million
 - o Senior and long term care - \$13 million
 - o Disability services - \$6 million
 - o To a lesser degree in non Medicaid services in human and community services - \$6 million
- o Department wide vacancy savings was about 3 percent
- o The two largest state special revenue reversions were:

- o \$3 million in county matching funds for the Medicaid nursing home intergovernmental transfer (IGT)
- o \$2 million for the senior pharmacy care program
- o General fund reversions ranged from a high of \$0.4 million in the Addictive and Mental Disorders Division to a low of \$7,000 in the Public Health and Safety Division

The first summary for FY 2006 is due November 15 and will be reviewed at the December LFC meeting. Since Medicaid projections are not very reliable until mid fiscal year, the best idea of how Medicaid expenditures are shaping up for FY 2006 is probably the trends observed in FY 2005. FY 2005 Medicaid expenditures totaled \$675 million, including \$148 million general fund compared to original legislative appropriations of \$632 million, including \$142 million general fund – a \$6 million difference. General fund was transferred from a variety of sources to make up the difference, but predominately from developmental disability (DD) services due to a refinancing¹ effort. About \$5 million of general fund was used as Medicaid match, when DD services that were previously funded 100 percent from the general fund were made eligible for Medicaid reimbursement. Since Medicaid is an entitlement, federal appropriation authority was transferred from other places in the department.

FY 2005 Total Medicaid Expenditures by Division and Fund Source

Program	General Fund	SSR	Federal	Total	Percent of Total
Health Resources	\$85,628,073	\$13,482,088	\$288,079,291	\$387,189,452	57%
Senior/Long-Term Care	38,735,293	12,385,890	131,600,219	182,721,402	27%
Disability Services	16,678,638	0	53,176,747	69,855,385	10%
Addictive/Mental Disorders	<u>7,397,203</u>	<u>1,535,743</u>	<u>26,212,636</u>	<u>35,145,582</u>	<u>5%</u>
Total FY 2005 Medicaid Services	\$148,439,207	\$27,403,721	\$499,068,893	\$674,911,821	100%
Percent of Total	22%	4%	74%	100%	

Source: 2005 Fiscal Year End Budget Status Report, Department of Public Health and Human Services

¹ Refinancing is a Montana “term of art” that describes the process whereby 100 percent state funded services are made eligible for Medicaid reimbursement at a new general fund cost of 30 percent of total costs. This action can result in overall general fund savings if services are not expanded or can result in cost neutrality to the general fund if more services are provided. Historically, in many instances, the ability to move 100 percent general fund costs to Medicaid does not require a Medicaid state plan amendment and is mostly a process of identifying which existing state activities could be eligible for Medicaid reimbursement.