

January 13, 2003

Dear Representative Clark:

The attached schedule summarizes actual budget reductions and program expenditure mitigation affecting the Department in the 2002/2003 biennium. Several programs in the Department experienced large increases in expenditures due to caseload growth and in utilization of services.

Significant program growth over the budgeted level occurred in the Medicaid and TANF programs. The Department instituted program reductions that enhanced utilization control efforts, reduced services, and reduced provider reimbursement rates for Medicaid services. Budgeted FAIM IIR expenditures were reduced and TANF block grant funds were re-allocated to cash assistance for the increased TANF caseload.

Actual budget reductions occurred in the governors 3.5% reductions in June of 2002. Additional budget reductions were implemented by the legislature in the August special session.

All of these changes are detailed in the attached schedule. If you have any questions or need any additional information, please call me at 444-4084 or call Scott Sim at 444-4216.

Sincerely,

John L. Chappuis, Deputy Director
DPHHS

[Attachment](#)

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
Supplemental Mitigation - Dec 2001 through June 2002						
Mental Health Medicaid:						
1	All mental health services: Implement stricter documentation standards for medical necessity. This will provide an improved gatekeeping function and will have the result of reducing costs across the board.	AMDD	-82,571	-304,465	-165,142	-610,055
2	Clear scope of services for RTCs and reserve out-of-state placements to youth with specialized needs	AMDD	-27,000	-99,558	-54,000	-199,483
3	Require prior authorization for outpatient therapy sessions beyond 24 per person per year.	AMDD	-150,000	-553,097	-300,000	-1,108,238
4	This option will eliminate duplicative outpatient and rehab. services for youth in school-based service.	AMDD	-75,000	-276,549	-150,000	-554,119
5	This option reduces intensive case management for youth in therapeutic living	AMDD	-55,000	-202,802	-110,000	-406,354
6	Reduce "care coordination" services by social workers, psychologists, and licensed professional counselors.	AMDD	-40,000	-147,493	-80,000	-295,530
7	Reduce all reimbursement rates by 2.6 percent for Mental Health Professionals. This option would reduce rates for the 6 month period starting 1/1/02 and ending 6/30/02.	AMDD	-63,391	-233,743	0	0
8	Change the Medicaid client sharing of program costs from a co-payment basis to co-insurance at 5% with a total cap of \$500 annually. This will increase the client share of costs significantly but will put the program on a cost sharing basis.	AMDD	-50,000	-184,366	-150,000	-554,119
9	Refinance School Based Services.	AMDD	0	0	-800,000	-2,955,301
10	Eliminate "full day" day treatment for adults with serious mental	AMDD	0	0	-230,000	-849,649
	Mental Health Medicaid Reductions:		-542,962	-2,002,072	-2,039,142	-7,532,848
Mental Health Services Plan:						
1	Eliminate Frontier Rate Differential	AMDD	0	0	-165,423	-195,000
2	Eliminate all room and board payments	AMDD	0	0	-424,160	-500,000
	MHSP Reductions:		0	0	-589,583	-695,000

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
Medicaid Primary Care:						
1	Pharmacy - Increase percentage off the AWP from 10% to 15%	HPSD	0	0	-965,753	-3,567,614
2	Dental - Limit Adult Dental coverage to Basic Services	HPSD	0	0	-425,078	-1,570,292
3	This proposal is to reduce the percentage paid to each of two co-surgeons to the Medicare level and reduce reimbursement to ambulatory surgical centers to 55% percent of charges approximating the hospital cost to charge ratio.	HPSD	-31,641	-116,670	-94,923	-350,658
4	Change the Medicaid client sharing of program costs from a co-payment basis to co-insurance at 5% with a total cap of \$500 annually. This will increase the client share of costs significantly but will put the program on a cost sharing basis.	HPSD	-140,071	-516,486	-515,594	-1,904,669
5	Eliminate second six-months of extended Medicaid coverage	HPSD	0	0	0	0
6	Allow only bills for current and previous 3 months to be counted to meet the incurment. Currently allow any past bill for which they are obligated regardless of the age of the expense.	HPSD	0	0	-186,300	-688,216
7	Freeze the Medically Needy Income Level for 2 years. Currently it is increased annually based on CPI increase.	HPSD	0	0	-160,779	-593,938
8	Drop the Extended Medicaid Waiver; return to the federal regulation which is more restrictive.	HPSD	0	0	-282,396	-1,043,207
9	Increase Third Party Liability (TPL) recoveries by enhancing recoveries in the area of prescription drugs and identify other insurance coverages. This will be accomplished by hiring a contractor that will bill pharmacy benefit managers (PBMs) electronic	HPSD	-134,817	-497,113	-269,634	-996,062
10	Initial Estimate - Reduce all reimbursement rates by 2.6 percent for Health Professionals. This option would reduce rates for the 6 month period starting 1/1/02 and ending 6/30/02.	HPSD	-1,540,000	-5,678,466	0	0
11	Implement waiver to reduce service package to able bodied persons aged 21 to 64.	HPSD	0	0	0	0
Primary Care Reductions:			-1,846,529	-6,808,735	-2,900,457	-10,714,655
Medicaid Hospitals:						
1	Reduce Out of State reimbursement from 61% to 50% of billed charges	HPSD	-76,840	-283,333	-230,520	-851,570
2	Change in CAH Reimbursement	HPSD	-112,241	-413,868	-507,330	-1,874,141
3	Hospital - Eliminate catastrophic case payments	HPSD	0	0	-344,763	-1,273,598
Hospital Reductions:			-189,081	-697,201	-1,082,613	-3,999,309
Supplemental Mitigation - Dec 2001 through June 2002		Total	-2,578,572	-9,508,009	-6,611,795	-22,941,812

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
<u>FAIM II R Reductions</u>						
First Reduction - November 2001						
1	Parents as Scholars	HCSD	0	-470,048	0	0
2	Tribal Projects (restricted)	HCSD	0	-879,008	0	0
3	Tribal NEW	HCSD	0	-796,452	0	0
4	Montana Training Consortium	HCSD	0	-297,101	0	0
5	Other Tribal Programs (restricted)	HCSD	0	-349,531	0	0
6	Other Non-tribal Programs	HCSD	0	-174,765	0	0
7	High Wage High Skill Training (restricted)	HCSD	0	-346,060	0	0
8	Assessment Services - Intensive Case Management	HCSD	0	-764,206	0	0
9	Chemical Dependency Graham Home Msla & Blgs	HCSD	0	-222,301	0	0
10	Learning Disabilities through OPI or Tribal Colleges	HCSD	0	-209,718	0	0
11	Mental Health Services (On-site Counselors)	HCSD	0	-174,765	0	0
12	Family Drug Court	HCSD	0	-139,812	0	0
13	Low-Income Housing	HCSD	0	-1,223,357	0	0
14	Car purchase, loans, or community transportation	HCSD	0	-279,624	0	0
15	Extra month grant for working families	HCSD	0	-859,300	0	0
16	Emergency Supportive Service for Working Family	HCSD	0	-458,938	0	0
17	Individual Development Accounts	HCSD	0	-97,008	0	0
18	Children as Scholars (Head Start Child Care)	HCSD	0	-699,105	0	0
19	TEAMS Reprocedurement/Enhancements	HCSD	0	-520,825	0	0
20	School Breakfast Startup Cost	HCSD	0	-62,916	0	0
21	Children's Trust Fund	HCSD	0	-176,553	0	0
	First Reduction Total:		0	-9,201,393	0	0

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
Second Reduction - May 2002						
1	Parents as Scholars	HCSD	0	0	0	-451,234
2	Tribal Projects (restricted)	HCSD	0	0	0	-843,822
3	Tribal NEW	HCSD	0	0	0	-764,571
4	Montana Training Consortium	HCSD	0	0	0	-42,832
5	Other Tribal Programs (restricted)	HCSD	0	0	0	-335,539
6	Other Non-tribal Programs	HCSD	0	0	0	-167,770
7	High Wage High Skill Training (restricted)	HCSD	0	0	0	-332,207
8	Assessment Services - Intensive Case Management	HCSD	0	0	0	-733,617
9	Chemical Dependency Graham Home Msla & Blgs	HCSD	0	0	0	-213,403
10	Learning Disabilities through OPI or Tribal Colleges	HCSD	0	0	0	-201,323
11	Mental Health Services (On-site Counselors)	HCSD	0	0	0	-167,770
12	Family Drug Court	HCSD	0	0	0	-134,216
13	Low-Income Housing	HCSD	0	0	0	-1,174,388
14	Car purchase, loans, or community transportation	HCSD	0	0	0	-268,431
15	Extra month grant for working families	HCSD	0	0	0	-824,904
16	Emergency Supportive Service for Working Family	HCSD	0	0	0	-113,210
17	Individual Development Accounts	HCSD	0	0	0	-93,125
18	Children as Scholars (Head Start Child Care)	HCSD	0	0	0	-671,121
19	TEAMS Reprocurement/Enhancements	HCSD	0	0	0	-499,977
20	School Breakfast Startup Cost	HCSD	0	0	0	-60,397
21	Children's Trust Fund	HCSD	0	0	0	-169,486
	Second Reduction Total:		0	0	0	-8,263,343
	FAIM II R Reductions	Total	0	-9,201,393	0	-8,263,343

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
<u>Governor's 3.5% FY2003 Reductions - June 2002</u>						
1	Public Health Affairs Officer salary reallocation	DO	0	0	-9,121	-7,000
2	Council Meeting Reductions	DO	0	0	-1,200	-4,000
3	Eliminate Department Employee Survey	DO	0	0	-2,600	-4,000
4	Combine storage space in Cogswell basement.	QAD	0	0	-4,000	-4,000
5	Move AMDD Bulletin to the web site	AMDD	0	0	-6,786	-13,572
6	Eliminate Computer Hardware	CFSD	0	0	-61,752	-110,271
7	MMHNCC Wing Closure	AMDD	0	0	-116,000	-116,000
8	Contract w/ children's' coalition for placement prevention	AMDD	0	0	-480,000	-480,000
9	CON Operational Costs	QAD	0	0	-12,000	-12,000
10	Eliminate MHOAC facilitation contract /Consensus Council	AMDD	0	0	-13,710	-27,420
11	Eliminate Community Collaboration Specialist	CFSD	0	0	-25,000	-45,455
12	QAD Operational Reductions	QAD	0	0	-15,000	-15,000
13	QAD X-Ray Contracted Inspections	QAD	0	0	-6,218	-6,218
14	Use Lien and Estate Recovery funds to offset Medicaid Expenses	SLTC	0	0	-161,880	-600,000
15	Reduce donated dental services under DDPAC	DSD	0	0	-2,500	-2,500
16	QAD Licensure Contracted Funds	QAD	0	0	-52,644	-52,644
17	Hold central office vacant positions open	AMDD	0	0	-84,784	-152,638
18	Regional planning vacancies and contracted services	AMDD	0	0	-209,260	-348,767
19	Eliminate \$100,000 used for covering uninsured kids	HPSD	0	0	-100,000	-100,000
20	Montana Tobacco Use Prevention Program Reductions	DO	0	0	-115,538	-115,538
21	Reduce Level of Effort in the CAPS FM Contract	OTD	0	0	-102,041	-196,233
22	Reduce Level of Effort in the TEAMS FM Contract	OTD	0	0	-146,476	-292,951
23	Eliminate MHSP eligibility determination and reviews	AMDD	0	0	-375,000	-375,000
24	Reduce Domestic Violence Program	CFSD	0	0	-75,000	-75,000
25	Personal Services Reductions	OTD	0	0	-17,139	-38,087

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
26	Eliminate Drop-In contracts	AMDD	0	0	-273,000	-273,000
27	Reduce ISD Mainframe processing SEARCHS	OTD	0	0	-33,113	-97,391
28	Reduce ISD Mainframe processing in CAPS	OTD	0	0	-24,505	-47,125
29	Reduce ISD Network Subscriptions by 50	OTD	0	0	-21,780	-43,560
30	Reduce Level of Effort in the MMIS FM Contract	OTD	0	0	-19,573	-78,292
31	Reduce ISD Mainframe processing in TEAMS	OTD	0	0	-116,676	-233,352
32	Reduce QAD Operations	QAD	0	0	-66,695	-119,097
33	Reduce CSED Operations	CSED	0	0	-22,500	-66,176
34	Reduce Big Brothers Big Sisters	CFSD	0	0	-25,000	-25,000
35	Reduce IT Consulting & Professional Services Budget	FSD	0	0	-32,536	-70,730
36	Delay Waiver and Personal Assistance Rate and Wage Increase	SLTC	0	0	-162,248	-599,365
37	Cut Meals on Wheels and cut state admin budget	SLTC	0	0	-43,361	-43,361
38	Cut Adult Protective Services workers and funding	SLTC	0	0	-41,714	-41,714
39	Increase Pharmacy Co-pay	AMDD	0	0	-80,291	-80,291
40	Limit children services to individuals that are SED	AMDD	0	0	-486,197	-1,796,076
41	Eliminate CHIP/MHSP therapy & other non out-of-home services	AMDD	0	0	-75,336	-397,554
42	Limit adult services to individuals that are SDMI	AMDD	0	0	-200,000	-738,825
43	Eliminate CHIP/MHSP out-of-home services	AMDD	0	0	-174,911	-923,013
44	Eliminate youth/adolescent day treatment	AMDD	0	0	-258,736	-955,805
45	Reduce client services in VR	DSD	0	0	-117,832	-117,832
46	Cut Adult Protective Services workers and funding	SLTC	0	0	-30,000	-30,000
47	Reduce Foster Care	CFSD	0	0	-639,417	-1,013,230
48	CFSD Operations Reductions	CFSD	0	0	-170,272	-309,585
49	Reduce appropriation for CHIP	HPSD	0	0	-89,222	-446,110
50	Additional Cut Meals on Wheels and cut state admin budget	SLTC	0	0	-30,000	-30,000
51	Delay Medicaid HCBS Waiver Services	SLTC	0	0	-97,191	-359,036
52	Withhold provider rate increase in Program 7 for FY 2003	HPSD	0	0	-588,768	-2,174,983
53	Reduce TANF WoRC Contracts and TANF Supportive Services	HCSD	0	0	-973,117	-973,117
54	Reduce Child Care Match Child Care Matching Funds	HCSD	0	0	-302,021	-1,115,704
55	Cut Medicaid LTC Benefits	SLTC	0	0	-673,931	-2,489,586
56	Reduce client services and operations at MDC	DSD	0	0	-377,217	-377,217
57	Reduce client services and operations at EHSC	DSD	0	0	-108,903	-108,903
58	Reduce client services in Vocational Rehabilitation	DSD	0	0	-274,940	-274,940
59	Extend Medicaid provider payment cuts	HPSD	0	0	-775,107	-2,863,343
	Governor's 3.5% FY2003 Reductions - June 2002	Total	0	0	-9,601,758	-22,507,607

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
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Special Session Reductions - August 2002

1	Employment Security Account	DSD	0	0	-1,965,199	0
2	County Alcohol Tax Distribution	AMDD	0	0	-1,000,000	0
3	Supplies and Materials Reductions	ALL	0	0	-107,795	-107,795
4	TANF Performance Bonus	HCSD	0	0	0	2,276,700
5	Equipment Reduction	ALL	0	0	-257,261	-257,264
6	General Reduction	ALL	0	0	-2,000,000	-2,000,000
7	Elderly and Disabled Waiver	SLTC	0	0	97,191	97,191
8	Mental Health Day Treatment	AMDD	0	0	0	258,736
9	Medicaid Co-pay	HPSD	0	0	0	350,000
10	Pay Plan Reduction	ALL	0	0	-820,707	-820,707
11	SB-19 Medicaid Increase	HPSD	0	0	550,000	550,000
12	Low-Income Housing	HCSD	0	0	0	-2,764,561
	Special Session Reductions - August 2002	Total	0	0	-5,503,771	-2,417,700

FY2003 Cost Containment Actions - December 2002

Mental Health Services Reductions						
1	Increase Intergovernmental Transfers	AMDD	0	0	-658,600	0
2	Comprehensive School & Community Treatment Services to OPI	AMDD	0	0	-135,350	-500,000
3	5% Provider Rate Reduction	AMDD	0	0	-269,002	-993,728
4	Therapeutic Foster Care Intensive Level of Care Compression	AMDD	0	0	-231,623	-855,646
5	Therapeutic Group Home Rate Reduction Intensive Level of Care	AMDD	0	0	-185,816	-686,428
6	Reduce Psychiatric Rehabilitation & Support by 10%	AMDD	0	0	-39,893	-147,368
7	Eliminate Adult TCM and Replace with capped number units	AMDD	0	0	-216,434	-799,533
8	Eliminate Child TCM and Replace with capped number units	AMDD	0	0	-336,336	-1,242,469
9	Limit Outpatient Therapy to 12 sessions annually	AMDD	0	0	-147,243	-543,933
	Mental Health Reductions:		0	0	-2,220,297	-5,769,105

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

	Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
	HPSD Medicaid Reductions					
1	DME - Prepayment review of all Miscellaneous codes	HPSD	0	0	-1,800	-6,649
2	Change coverage criteria for Essential for Employment	HPSD	0	0	-10,800	-39,897
3	Reimbursement for Subsequent Procedures for Surgical services	HPSD	0	0	-11,369	-41,999
4	DME - Prior Authorization of rental for Wheelchairs, Hospital Beds, Shower Commode Chairs	HPSD	0	0	-11,750	-43,406
5	PASSPORT - Change PCP ID's	HPSD	0	0	-135,350	-500,000
6	Change Limits on Therapies (70 to 40)	HPSD	0	0	-4,583	-16,930
7	Reduce DME By-Report Reimbursement (90% to 80%)	HPSD	0	0	-20,000	-73,883
8	Transportation Program Changes - Reduce Transportation Reimbursement (\$0.34 to \$0.13) and modify reimbursement for lodging and meals. (NP - 257)	HPSD	0	0	-34,537	-127,584
9	Restrict Coverage for prescription drug Claritin - OTC	HPSD	0	0	-45,000	-166,236
10	Reduce IP Hosp DRG Reimbursement 5% *	HPSD	0	0	-228,516	-844,167
11	Eliminate Optional Services - Audiology, Eyeglasses, Optometric, Hearing Aids, Podiatry, DME O&P *	HPSD	0	0	-193,750	-715,737
12	Cut Adult Dental/Denturist - Except Emergencies (Includes eliminating dental coverage in FQHC & RHC) *	HPSD	0	0	-291,531	-1,076,952
13	Eligibility Changes - HCSD (Stop excluding non-home real property listed for sale; Contract for Deed change; Life Estate change; Limit exclusion of home property under "intent to return" policy) (NP - 260)	HPSD	0	0	-291,941	-1,078,467
14	Restrict coverage criteria for Mamoplasty	HPSD	0	0	-5,640	-20,835
15	Eliminate coverage of Gastric Bypass Surgeries	HPSD	0	0	-16,355	-60,417
16	Restrict coverage criteria for Circumcisions	HPSD	0	0	-25,378	-93,750
17	Change reimbursement for Inpatient Hospital Rehabilitation Units from cost based as a percent of charges to DRG reimbursement.	HPSD	0	0	-56,250	-207,795
18	Pharmacy Program Changes - Change Dispensing Limit - 34 Day Supply. (NP - 258)	HPSD	0	0	-20,593	-76,073
19	Change policy on early refill for Prescriptions	HPSD	0	0	-37,500	-138,530
20	Increase Percentage off AWP for Generic Drugs (15% to 25%)	HPSD	0	0	-100,000	-369,413
21	Enhanced SURS Recoveries	HPSD	0	0	-97,614	-360,598
22	7% Provider Rate Reductions	HPSD	0	0	-1,412,971	-5,219,693
	HPSD Reductions:		0	0	-3,053,228	-11,279,010
	FY2003 Cost Containment Actions - December 2002	Total	0	0	-5,273,525	-17,048,115

**Department of Public Health and Human Services
2003 Biennium Budget Reductions**

Description	Program Affected	FY 2002 General Fund	FY 2002 Total Funds	FY 2003 General Fund	FY 2003 Total Funds
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Reduction Summary - January 8, 2003

Supplemental Mitigation - Dec 2001 through June 2002	Total (1)	-2,578,572	-9,508,009	-6,611,795	-22,941,812
FAIM II R Reductions	Total (2)	0	-9,201,393	0	-8,263,343
Governor's 3.5% FY2003 Reductions - June 2002	Total (4)	0	0	-9,601,758	-22,507,607
Special Session Reductions - August 2002	Total (5)	0	0	-5,503,771	-2,417,700
FY2003 Cost Containment Actions - December 2002	Total (1)	0	0	-5,273,525	-17,048,115
		-2,578,572	-18,709,402	-26,990,849	-73,178,577
				Total Biennial General Fund	-29,569,421
				Total Biennial Funds	-91,887,979

Notes:

- 1) Budget mitigation actions necessary to reduce program expenditures to the budget level.
- 2) The TANF FAIM II R program was reduced and the TANF funds were reallocated to the TANF Cash Assistance payments program.
- 3) CSED state special revenue funded actions related to the federal incentive grant cash shortfall are not included in this reduction summary.
- 4) Reduction to the FY2003 budgeted amount, does not include the additional 25% vacancies savings reductions as positions become vacant.
- 5) Reduction to the FY2003 budgeted amount.