



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: June 18, 2015

TO: Legislative Finance Committee

FROM: Scot Conrady, Fiscal Analyst
Cynthia Hollimon, Fiscal Analyst

RE: Medicaid Monitoring Report – June 2015 LFC Meeting

MEDICAID MONITORING

During the 2015 interim, the Legislative Finance Committee (LFC) adopted this report to monitor the Medicaid program administered by the Department of Public Health and Human Services (DPHHS) as a part of its work plan. This report is a continuation of the work plan item into the 2017 interim.

This report discusses:

- A \$4.0 million projected state funding surplus for Medicaid services (deficit of \$0.1 million general fund and surplus of \$4.0 million state special revenue), including changes to appropriation authority
- Issues to be aware of during the interim

GENERAL FUND

DPHHS provides a monthly budget status report (BSR) including yearend projections compared to appropriations and the surplus or deficit that would occur as a result. This report is provided for the department as a whole, but this document will refer primarily to the Medicaid services portion. The June 15th BSR indicates a department wide general fund surplus of \$4.5 million while the appropriations for Medicaid services show an anticipated shortfall of \$0.1 million. The projection for total Medicaid services general fund expenditures is higher than at any other point during FY 2015.

The table on the following page shows DPHHS Medicaid spending estimates by division and fund type as compared to appropriations approved by the 2013 Legislature and as adjusted during the intervening time.

General fund overruns can be found in primarily the Health Resources (HRD). Addictive and Mental Disorders (AMDD), Senior and Long Term Care and Developmental Services divisions all show positive year end general fund balance based on the department projections. The overrun in HRD can primarily be attributed to acute services and pharmacy .

**Monitoring Medicaid Services - FY 2015 Appropriations Compared to DPHHS Projected Expenditures
Based on June 15, 2015 Budget Status Report**

Division/Fund/Grand Total	FY 2015 Legislative Appropriation	Changes in Appropriation Authority ¹	FY 2015 Current Appropriation	Estimated Annual Expenditures	Estimated Expenditures (Over) Under Appropriation	Balance as a Percent of Legis. Approp.
<u>Health Resources</u>						
General Fund	\$129,155,462	\$7,800,000	\$136,955,462	\$142,001,937	(\$5,046,475)	-3.9%
State Special	46,110,794	8,370,000	\$54,480,794	54,417,735	\$63,059	0.1%
Federal	<u>381,294,497</u>	<u>0</u>	<u>\$381,294,497</u>	<u>397,034,238</u>	<u>(\$15,739,741)</u>	<u>-4.1%</u>
Subtotal	556,560,753	16,170,000	\$572,730,753	593,453,910	(\$20,723,157)	-3.7%
<u>Senior and Long Term Care</u>						
General Fund	60,165,031	0	\$60,165,031	57,208,896	\$2,956,135	4.9%
State Special	30,530,540	0	\$30,530,540	25,917,053	\$4,613,487	15.1%
Federal	<u>190,486,742</u>	<u>0</u>	<u>\$190,486,742</u>	<u>170,261,078</u>	<u>\$20,225,664</u>	<u>10.6%</u>
Subtotal	281,182,313	0	\$281,182,313	253,387,027	\$27,795,286	9.9%
<u>Developmental Services Division</u>						
General Fund	62,844,736	(37,386)	\$62,807,350	60,956,073	\$1,851,277	2.9%
State Special	6,040,146	0	\$6,040,146	6,040,146	\$0	0.0%
Federal	<u>183,982,334</u>	<u>0</u>	<u>\$183,982,334</u>	<u>167,572,977</u>	<u>\$16,409,357</u>	<u>8.9%</u>
Subtotal	252,867,216	(37,386)	\$252,829,830	234,569,196	\$18,260,634	7.2%
<u>Addictive and Mental Disorders</u>						
General Fund	11,300,385	1,500,000	\$12,800,385	12,683,649	\$116,736	1.0%
State Special	8,956,844	0	\$8,956,844	9,554,279	(\$597,435)	-6.7%
Federal	<u>42,032,024</u>	<u>0</u>	<u>\$42,032,024</u>	<u>45,237,607</u>	<u>(\$3,205,583)</u>	<u>-7.6%</u>
Subtotal	62,289,253	0	\$62,289,253	67,475,535	(\$5,186,282)	-8.3%
<u>Grand Total All Medicaid Services</u>						
General Fund	263,465,614	9,262,614	\$272,728,228	272,850,555	(\$122,327)	0.0%
State Special	91,638,324	8,370,000	\$100,008,324	95,929,213	\$4,079,111	4.5%
Federal	<u>797,795,597</u>	<u>0</u>	<u>\$797,795,597</u>	<u>780,105,900</u>	<u>\$17,689,697</u>	<u>2.2%</u>
Grand Total All Funds	<u>\$1,152,899,535</u>	<u>\$17,632,614</u>	<u>\$1,170,532,149</u>	<u>\$1,148,885,668</u>	<u>\$21,646,481</u>	<u>1.9%</u>

1. Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, reallocations of authority between program functions within a division and additions due to budget amendments. SSR in HRD includes 4.0 million for the supplemental in HB2 during the 2015 session

As shown in the table above, estimated Medicaid expenditures are \$9.4 million general fund greater than the original legislative appropriation. To partially cover the projected shortfall DPHHS transferred general fund from other areas within the budget. The most significant of which was a transfer to HRD was \$7.8 million involving both the Technology Services Division (TSD) and AMDD. This three step exchange started with Children's Health Insurance Program Reauthorization Act (CHIPRA) bonus funds in TSD were transferred to AMDD for Montana State Hospital costs. AMDD replaced general fund with the CHIPRA bonus funding, which resulted in \$7.8 million of available general fund. The \$7.8 million general fund was then transferred to HRD. The table below illustrates this movement.

Mechanics of Authority Transfer of CHIPRA Bonus and General Fund to Cover Hospital Services Overrun (\$ Millions)				
Budget Item	Fund	Operations	Personal Services	Benefits and Claims
Technology Services				
	CHIPRA Bonus	(7.8)		
Montana State Hospital				
	CHIPRA Bonus		7.8	
	General Fund		(7.8)	
Medicaid Hospital Services				
	General Fund			7.8

This accounts for \$7.8 million of the \$9.4 million budget adjustment leaving a balance of \$1.6 million. Of that balance, \$1.5 million was accounted for by a house adjustment shifting general fund from non-Medicaid community mental health services to the Medicaid HIFA waiver.

STATE SPECIAL AND SUPPLEMENTAL APPROPRIATIONS

Prior to the June 15th BSR, the department was projecting a shortfall of approximately \$3.2 million in HRD. However, the department has utilized the \$4.0 million SSR supplemental appropriation authorized by the 2015 Legislature in HB2 to cover this projected shortfall.

FEDERAL FUNDS

Medicaid services projections currently show an excess of about \$12.5 million in federal authority primarily in Indian Health Services and school-based services, both of which are fully federally funded.

UPCOMING ISSUES RELATED TO MEDICAID SERVICES

This section will be used in future reports to address any special interests of the LFC. Current legislation, court cases, or special programs of interest may be tracked based on the interests of the LFC. A few examples of current topics that may be suitable for this section are:

- Medicaid expansion and SB 405
- Closure of the Montana Developmental Center and SB 411
- Mental health expansion
- Autism program monitoring
- Implementation of new federal guidelines governing community based waiver services
- Other LFC interests