

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON INSTITUTIONS

Call to Order: By REPRESENTATIVE MENAHAN, on JANUARY 13,
1989, at 8:09 a.m.

ROLL CALL

Members Present: All

Members Excused: none

Members Absent: none

Staff Present: Taryn Purdy, Associate Fiscal Analyst

Announcements/Discussion: None

DISPOSITION OF MENTAL HEALTH AND VETERANS' HOME

Tape No. 6A 44

Discussion: Taryn Purdy started meeting by explaining Issue 2 on page D-8 under Central Office: HPI Drug Contract for Pharmacy Services. The Issue raises three options. The first is to maintain the pharmacist positions, the second is to delete the pharmacist positions and fund the HPI Contract, and the third option is to include the pharmacist positions, increase the funds available for their salaries and direct the department to attempt to get a grade increase from the department of administration to pay the pharmacists more money.

Jim Currie, Administrator of the Management Services Division, laid out the department's position concerning the HPI contract. See Exhibit 1. He also mentioned they would have standardized policies and over the long run it will generate some savings and reduce the amount of inflation in the cost of drugs. He talked about the implementation of the contract, and adequate training to the staff.

Chairman Menahan asked if we have any drug prices to compare with what we are paying now, or are we saving on drugs. Jim Currie responded that he has a list of 73 different drugs from HPI and in some cases the State of Montana was lower and in some cases the HPI was lower but the accumulative total of those 73 drugs was \$294,857 for HPI and \$336,000 under the term contract with the state.

Chairman Menahan asked if there was any firm in Montana who could provide this kind of service. Mr. Chisholm replied there is no firm in the state who provides this service. HPI provides everything they need to monitor medications. Senator Aklestad asked where was the authorization for the department to enter into this contract. Mr. Chisholm responded that they have authority to enter into professional services contracts as they see the need for them if they have budgeted dollars. What they decided to do under the circumstances, given the problems they were facing, was to go out for an RFP and see what the bottom line was. (See Page D-9 under Central Office file.) In response to a question from Chairman Menahan, Mary LaFond from the OPBB staff explained that the previous OPBB staff had taken a position of reducing the base expenditure for drugs by 10%. They felt that there was going to be enough savings that they could start with a 10% reduction in the base and then they would apply inflation after that. Neither one of these things happened. See Exhibit 2.

Pat Estenson, Superintendent of Montana Veterans' Home, explained about the pharmacy there and the long term nursing home program for drugs. He explained one aspect is that the pharmacist who is familiar with the health care facility has the ability to supply some good information to the physician. The physicians basically do not have the time to keep up with what's current in medications. He thinks HPI has some fairly sophisticated pharmacists not only the ones they contract with but the people on their staff. Also, possible error is eliminated.

Senator Aklestad and Rep. Peterson had questions about when the pharmacist positions were phased out. Taryn explained that a couple of positions had been vacant prior to the contract and the rest went off staff December 1987.

Chairman Menahan closed the hearing on the HPI contract.

MENTAL HEALTH

After questions from Senators Aklestad and Bengtson concerning the cost of drugs Mary LaFond and Taryn Purdy responded and answered the questions for them concerning the LFA amount. The LFA current level includes the fiscal 1988 base, inflated after the Governor's inflation rates of .124% in fiscal 1990 and .188% in fiscal 1991. The base was not reduced.

Mental Health Budget

Senator Bengtson moved to accept the 1991 biennium LFA for personal services. Taryn Purdy explained that the personal services totals for both the executive budget and LFA current level incorporate the decision of the Appropriations Committee to include 0 per cent vacancy savings. A total of \$3,829 in fiscal 1990 and \$3,829 in fiscal 1991 was added to the executive while \$7,678 in fiscal 1990 was added to the current level. Motion passed.

Operating Expenses - Taryn explained the Issue: Should the Mental Health Advisory Council be funded through regular operations and therefore, with general fund, or should it be funded with federal funds? Total costs of the council included in the executive budget is \$5,187 each year. Also the LFA current level inadvertently omits \$1,873 of travel for on-site review functions. The executive budget includes \$3,712 for on-site review travel.

Sen. Aklestad had questions about the issues and Bob Anderson reported that the \$3700 for on-site review is to be funded out of general fund. He also noted several issues as did Curt Chisholm they would like to have but will split the difference with the Committee. Rep. Grady made a motion to accept the executive budget of \$63,292 for fiscal 1990 and \$63,532 for fiscal 1991 on the operating expenses, minus expenses for dues to WICHE. Motion carried, Sen. Aklestad voted no.

GRANTS Taryn explained that the LFA current level and the executive both include grants totaling \$5,112,496 each year of the biennium. Grants are used to purchase services at the five regional Community Mental Health Centers. Senator Bengtson moved to accept the grants of \$5,112,496 each year. Motion carried.

FUNDING Taryn explained the Federal Block grants are used to purchase services at the five regional Community Mental Health Centers. The remainder of the funding for the Community Mental Health Centers totaling \$3,862,691 each year is from the general fund. General fund completely supports all personal services and operating expenses of the Mental Health Bureau. Senator Bengtson moved to accept the funding of the LFA. Motion carried.

MODIFIED BUDGET Homeless Block Grant Funds. This modified budget would allow expenditure of Mental Health Services for the Homeless Block Grant funds, and would be used to contract with the Community Mental Health Centers to provide outreach and case management services for adults with severe disabling mental illnesses who are homeless or in danger of becoming homeless. Senator Bengtson moved to spend the \$275,000 each year. Senator Aklestad expressed

his concern that modified budgets are added with federal funds and become part of current level in the next year. Sen. Aklestad made a motion to include in the minutes and the general narrative of the appropriations bill that these modified budgets would not be included as part of current level in the 1993 biennium. Sen. Bengtson' motion to approve the Homeless Block Grand carried.

MODIFIED BUDGET Human Resource Development Program. This modified budget would continue the Human Resource Development Program begun under budget amendment in fiscal 1988. Funds would be used to assist the state in developing the capacity to identify and deal with work force issues impacting mental health services, and in the development of a state mental health human resource development plan. Rep. Grady moved to adopt the modified budget in 1990 which includes .62 FTE and Federal Funds of \$34,074. Senator Harding mentioned that it states that this would continue a program begun with a budget amendment in 1988 so isn't that what they are referring to that we assume will happen so this a continuation of something that was initiated in a grant two years ago. Taryn responded that was correct. Senator Aklestad also asked if these were special funds and Taryn explained these were Federal Funds for one year. Motion carried.

MODIFIED BUDGET Community Support Program - This modified budget would continue the program begun under budget amendment in fiscal 1988 to strengthen consumer and family organizations designed to serve mentally ill persons in the community or to assist those coming out of state institutions. Operating Expenses and Federal funds for 1990 are \$49,640. Mary LaFond responded that \$15,000 would be included in 1991. Rep. Grady moved to adopt the modified budget amount. Motion carried.

MODIFIED BUDGET Mental Health Planning Grant - This modified budget would be used to assist the state in developing an ongoing, comprehensive mental health planning process and state mental health plan. Bob Anderson stated that they are requesting authority to continue this program that was started in 1988 in the next biennium. If the funds do not come in we don't know if we can continue this. His remarks responded to questions by Sen. Aklestad. Senator Harding moved to accept the modified budget of \$81,603 in fiscal 1990 and \$80,621 in fiscal 1991. Motion carried.

DISPOSITION OF HPI CONTRACT

Senator Bengtson moved to continue with the HPI contract for two years. Rep. Menahan stated that this committee should receive a report in the 1991 session of the

HPI contract over the two year period, and that the motion reflect this. Motion carried. She also moved to accept the executive on drugs. Motion passed.

VETERANS HOME

OPERATING EXPENSES: Senator Bengtson moved to accept the LFA budget. Senator Harding made a substitute motion to accept the executive budget which includes additional laundry and dietician expenses. Motion carried.

EQUIPMENT ISSUES - Issue: Does the committee wish to fund specific equipment items, or maintain funding at the average of the last three years' actual expenditures? The executive funds a resident whirlpool and a replacement snow removal truck. LFA current level includes equipment at the average of fiscal 1986, 1987 and 1988 actual expenditures, which would fund the snow removal truck and a lawn tractor. Senator Bengtson moved to accept the LFA current level. Motion carried.

FUNDING Taryn explained interest and income is derived primarily from land leases. Canteen funds are generated from the sale of canteen items to members.

Third party revenue is all private resources and insurance contributed by members for the cost of their care. A small amount of medicaid is also included. Veterans' Administration funding is a flat amount paid for each day a qualified veteran resides in the home, and totals \$20.35 per day in the nursing home and \$8.70 per day in the domiciliary. Veterans' spouses are not eligible for the payment. General fund funds the remainder of all costs. Senator Bengtson moved to accept the executive recommendation both years of the budget. Motion carried.

MODIFIED BUDGET - Registered Nurse, VA standards - This modified budget adds 1.60 FTE (one post) registered nurse to meet new Veteran's Administration standards. **Social Worker -** This modified budget would add 1.0 FTE social worker to implement individual plans and programs for domiciliary residents as a result of a new VA standard. **Nurse Aide - VA Standards.** This modified budget adds 1.0 FTE nurse aide position to establish weekend programs and activities for domiciliary residents in response to VA standards. Rep. Grady moved to accept all three modified budgets. Motion carried. A decision on the OBRA modified budget was deferred.

ADJOURNMENT

Adjournment At: 10:38 a.m.


REP. WILLIAM MENAHAN, Chairman

WM/ms

1124.min

Exhibited

DEPARTMENT OF INSTITUTIONS
MONTANA VETERANS' HOME

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	80.8	80.8
LFA Current Level FTE	<u>81.3</u>	<u>81.3</u>
Difference	(.50)	(.50)
Executive	\$1,738,332	\$1,750,890
LFA Current Level	<u>1,756,826</u>	<u>1,769,851</u>
Difference	\$ (18,494)	\$ (18,961)

- - - - - Personal Services Issues - - - - -

1. Appropriations Committee Policy

Positions Deleted: None
Vacancy Savings Added:

	<u>1990</u>	<u>1991</u>
Executive	\$34,172	\$34,376
Current Level	\$69,051	\$69,439

2. Issue: Does the committee wish to include a .5 FTE pharmacist?
Funding of the HPI contract would eliminate this position.

3. Committee Issues

Committee Action

OPERATING EXPENSES

	<u>1990</u>	<u>1991</u>
Executive	\$591,529	\$608,622
LFA Current Level	<u>556,788</u>	<u>572,570</u>
Difference	\$ 34,741	\$ 36,052

- - - - -Operating Expenses Issues - - - - -

1. Issue: Does the committee wish to fund the HPI contract? The executive includes \$30,426 in fiscal 1990 and \$31,947 in fiscal 1991 for prescription services. The remainder of the difference in fiscal 1991 amounts to less than .8 percent of the total operating expenses.

2. Committee Issues

County - why not a contract bid prior to session

Committee Action

Bingler - move LFA agreement to HPI with
New - exec
provid

EQUIPMENT

	<u>1990</u>	<u>1991</u>
Executive	\$12,590	\$ -0-
LFA Current Level	<u>5,827</u>	<u>5,827</u>
Difference	\$6,763	\$(5,827)

SF27
SF27
11,654

12,590
11,657
836

County
\$5,950
Dichman
\$2,200
3,750

-----Equipment Issues-----

1. Issue: Does the committee wish to fund specific equipment items, or maintain funding at the average of the last three fiscal years' actual expenditures?

The executive funds a resident whirlpool and a replacement snow removal truck. LFA current level includes equipment at the average of fiscal 1986, 1987, and 1988 actual expenditures, which would fund the snow removal truck and a lawn tractor.

2. Committee Issues

Committee Action

Sen. Budgete → *LFA*

<u>FUNDING</u>	1990		1991	
	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Third Party	\$950,000	\$926,247	\$950,000	\$935,568
Vets' Admin	733,770	742,665	733,770	742,665
Canteen	20,764	20,764	20,764	20,764
Int. & Income	5,600	5,600	5,600	5,600
Total Third Party & VA	\$1,683,770	\$1,668,912	\$1,683,770	\$1,678,233

-----Funding Issues-----

1. Interest and income is derived primarily from land leases. Canteen funds are generated from the sale of canteen items to members.

Third party revenue is all private resources and insurance contributed by members for the cost of their care. A small amount of medicaid is also included. Veterans' Administration funding is a flat amount paid for each day a qualified veteran resides in the home, and totals \$20.35 per day in the nursing home and \$8.70 per day in the domiciliary. Veterans' spouses are not eligible for the payment.

General fund funds the remainder of all costs.

2. Committee Issues

Committee Action

Sen. Berger
→ P. J. ...
→ ...

**MODIFIED BUDGET
MONTANA VETERANS' HOME**

Registered Nurse - VA Standards

This modified budget adds 1.60 FTE (one post) registered nurse to meet new Veterans' Administration standards.

	<u>1990</u>	<u>1991</u>
FTE	1.60	1.60
Personal Services and General Fund	\$38,132	\$38,364

Committee Issues

Committee Action

*Rep. Grady moved to
accept all three
positions - ✓ re'*

**MODIFIED BUDGET
MONTANA VETERANS' HOME**

Social Worker - VA Standards

This modified budget would add 1.0 FTE social worker to implement individual plans and programs for domiciliary residents as a result of new VA standards.

	<u>1990</u>	<u>1991</u>
FTE	1.0	1.0
Personal Services and General Fund	\$20,318	\$20,333

Committee Issues

Committee Action

**MODIFIED BUDGET
MONTANA VETERANS' HOME
Nurse Aide - VA Standards**

This modified budget adds 1.0 FTE nurse aide position to establish weekend programs and activities for domiciliary residents in response to VA standards.

	<u>1990</u>	<u>1991</u>
FTE	1.0	1.0
Personal Services and General Fund	\$17,425	\$17,527

Committee Issues

Committee Action

Jan. 13, 1989

DEPARTMENT OF INSTITUTIONS
MENTAL HEALTH BUREAU

<u>PERSONAL SERVICES</u>	<u>1990</u>	<u>1991</u>
Executive FTE	5.0	5.0
LFA Current Level FTE	<u>5.0</u>	<u>5.0</u>
Difference	0.0	0.0
Executive	183,78 \$191,444	\$191,940
LFA Current Level	<u>191,444</u>	<u>191,940</u>
Difference	\$ -0-	\$ -0-

- - - - - Personal Services Issues - - - - -

1. Appropriations Committee Policy

Positions Deleted: None
Vacancy Savings Added:

	<u>1990</u>	<u>1991</u>
Executive	\$3,829	\$3,839
Current Level	\$7,658	\$7,678

2. Committee Issues

Committee Action

Borystim LFA

Passer

<u>OPERATING EXPENSES</u>	<u>1990</u>	<u>1991</u>
Executive	\$63,292	\$63,532
LFA Current Level	<u>49,825</u>	<u>50,073</u>
Difference	\$13,467	\$13,459

----- -Operating Expenses Issues - -----

1. Issue: Should the Mental Health Advisory Council be funded through regular operations and therefore, with general fund, or should it be funded with federal funds? Total costs of the council included in the executive budget is \$5,187 each year.

Issue: LFA current level inadvertently omits \$1,873 of travel for on-site review functions. The executive budget includes \$3,712 for on-site review travel.

Favorable
LFA

2. Committee Issues

Grady - prob with switch fed funds for op. exp.

Committee Action

Grady - exec. budget

Akhtad - if fed will reimburse the state fund

Morgan - follow Grady

Pingston - decide which can't go with the exec.

Spring if fed funds are passed, will use to fund mental health advisory council. Grady - re phone number to decide which

<u>GRANTS</u>	<u>1990</u>	<u>1991</u>
Executive	\$5,112,496	\$5,112,496
LFA Current Level	<u>5,112,496</u>	<u>5,112,496</u>
Difference	\$ -0-	\$ -0-

----- -Grants Issues - -----

1. Grants are used to purchase services at the five regional Community Mental Health Centers. Both the executive and LFA current level include \$3,862,691 of general fund and \$1,249,805 of federal block grant funds each year.

2. Committee Issues

Committee Action

Buyers from LFA
Purchased

<u>FUNDING</u>	1990		1991	
	<u>Exec</u>	<u>LFA</u>	<u>Exec</u>	<u>LFA</u>
Federal Block	\$1,249,805	\$1,249,805	\$1,249,805	\$1,249,805

----- Funding Issues -----

1. Federal block grants are used to purchase services at the five regional Community Mental Health Centers. The remainder of the funding for the Community Mental Health Centers totaling \$3,862,691 each year is from the general fund. General fund completely supports all personal services and operating expenses of the Mental Health Bureau.

\$75,000

2. Committee Issues

Committee Action

More in LFA in much
Purchased

**MODIFIED BUDGET
MENTAL HEALTH BUREAU**

Homeless Block Grant

This modified budget would allow expenditure of Mental Health Services for the Homeless Block Grant funds, and would be used to contract with the Community Mental Health Centers to provide outreach and case management services for adults with severe disabling mental illnesses who are homeless or in danger of becoming homeless.

	<u>1990</u>	<u>1991</u>
Non-Operating Expenses and Federal Funds	\$275,000	\$275,000

Committee Issues

Committee Action

Pay - authority to spend if it comes in
Parrot

Allocated

*will be asked to use
 provided as various fund
 if don't directly state this.*

*Put in the budget that
 the intent of
 committee
 that will be considered
 as much as in
 future*

*Allocated -
 put words into
 the number*

MODIFIED BUDGET
MENTAL HEALTH BUREAU

Human Resource Development Program

This modified budget would continue the Human Resource Development Program begun under budget amendment in fiscal 1988. Funds would be used to assist the state in developing the capacity to identify and deal with workforce issues impacting mental health services, and in the development of a state mental health human resource development plan.

	<u>1990</u>
FTE	0.62
Personal Services	\$17,091
Operating Expenses	<u>16,983</u>
Total Expenses	\$34,074
Federal Funds	\$34,074

Committee Issues

Committee Action

More adoption - Gray
passed

Used but well
h

MODIFIED BUDGET
MENTAL HEALTH BUREAU

Community Support Program

This modified budget would continue the program begun under budget amendment in fiscal 1988 to strengthen consumer and family organizations designed to serve mentally ill persons in the community or to assist those coming out of state institutions.

	<u>1990</u>	<u>91</u>
Operating Expenses and Federal Funds	\$49,640	\$15,000
<u>Committee Issues</u>		

Committee Action

More people - Gray Perret

Added \$15k avail. in 1991
under this grant

MODIFIED BUDGET
MENTAL HEALTH BUREAU

Mental Health Planning Grant

This modified budget would be used to assist the state in developing an ongoing, comprehensive mental health planning process and state mental health plan.

	<u>1990</u>	<u>1991</u>
FTE	1.0	1.0
Personal Services	\$25,449	\$25,467
Operating Expenses	<u>56,154</u>	<u>55,154</u>
Total Expenses	\$81,603	\$80,621
Federal Funds	\$81,603	\$80,621

Committee Issues

Sen. Akshof -

Committee Action

Deely - mem to accept *Power*

grant is not yet known if available

Committee Action

Sen. Berg
Continue HPI Contract
+ 400

<u>OPERATING EXPENSES</u>	<u>1990</u>	<u>1991</u>
Executive	\$585,845	\$597,840
LFA Current Level	<u>556,788</u>	<u>572,570</u>
Difference	\$ 29,057	\$ 25,270

-----Operating Expenses Issues-----

1. Issue: Does the committee wish to fund the HPI contract? The executive includes \$30,426 in fiscal 1990 and \$31,947 in fiscal 1991 for prescription services. The remainder of the difference in fiscal 1991 amounts to 1 percent of the total operating expenses.

2. Committee Issues

Committee Action

W.S.
20
2) *5%* *Drug level* *5%* *HPI*
or 5% per Eastmont
at 20

<u>EQUIPMENT</u>	<u>1990</u>	<u>1991</u>
Executive	\$12,590	\$ -0-
LFA Current Level	<u>5,827</u>	<u>5,827</u>
Difference	\$6,763	\$(5,827)

Exhibit 1

STATE OF MONTANA
DEPARTMENT OF INSTITUTIONS
PHARMACY CONTRACT
HPI HEALTHCARE SERVICES, INC.

The Department of Institutions first became involved with converting state operated facilities or functions to privately operated facilities or functions when the Montana Youth Treatment Center in Billings was sold. In the June, 1986 Special Session, the Department of Institutions requested authorization to sell the Center. The Legislature enacted House Bill 36, authorizing the sale of the Center and providing for certain conditions relative to the sale. The Center was subsequently sold on December 31, 1986 to Rivendell of Billings, Inc.

Section 14 of House Bill 36 also required the Department of Institutions to report to the 1987 Legislature on the feasibility of selling other institutions under its jurisdiction. In that report the department did not recommend the sale of any other institutions, but did recommended the review of specific institutional services to determine whether or not those services could be provided more efficiently by the private sector.

As a result of this review, the department decided to pursue contracting with a private firm to operate its pharmacy programs. This decision was made for various reasons. First, the salary level paid to pharmacists by the State of Montana was no longer competitive with the private sector. Local private sector pharmacies were offering up to six dollars per hour more than the state. As a result, it was becoming increasingly difficult to recruit and/or retain pharmacists. In addition, due to staffing problems, the department was encountering difficulty in maintaining certification at some of its pharmacies. Loss of certification could have resulted in significant loss of federal revenue to the General Fund. By contracting with a private firm, the department would gain benefit from the purchasing power and expertise of a national firm in procuring drugs and developing dispensing systems. The department anticipated that over a period of time, an overall savings could be realized in drug costs through the installation of a standardized formulary and state of the art medication distribution systems.

In cooperation with the Department of Administration, the department prepared and submitted a "Request for Quotation"(RFQ) to several potential private vendors. HPI Healthcare, Inc. was ultimately awarded the contract.

The department's pharmaceutical contract with HPI provides for services at the Montana State Hospital, Montana State Prison, Montana Developmental Center, Montana Veteran's Home, Center for the Aged, and the Women's Correctional Center. HPI operates a central pharmacy on the Warm Springs Campus at the Montana State Hospital and dispenses all pharmaceuticals from that location. The Montana State Hospital, Women's Correctional Center, Montana State Prison, and Montana Developmental Center receive delivery of drugs the same day as ordered. The Center for the Aged and Montana Veteran's Home receive delivery of drugs one to two days after ordered, depending on the time of day the order is placed. Each institution communicates with the central pharmacy at the Montana State Hospital by telephone and facsimile machine. In addition to clinical pharmacy services, HPI provides the department with an automated pharmacy computer system, a drug information program, a quality assurance program,

reconciliation of physician orders, an emergency backup and starter pack medication system, an inservice education program, pre-accreditation service and other numerous services.

Under the terms of the contract, the fee paid to HPI falls into two categories, the management fee and medications. The management fee is a pre-negotiated, fixed amount paid to HPI on a monthly basis. This fee covers HPI's personnel costs, operating costs (excluding drugs), all other overhead, and a reasonable margin of profit. Drug costs are charged to the State at HPI's acquisition cost, with no markup.

Upon entering this contract, the department anticipated the management fees would exceed what was currently budgeted in personal services for operation of its pharmacies. This increase was anticipated due to the non-competitive salary levels reflected in the institution's personal services budgets, and because of the increased level of expertise and state of the art automation offered by a national company. The department also anticipated some eventual savings in drug costs due to the purchasing power of a national firm and the implementation of a department wide standardized formulary.

The HPI management fee for the first year of the contract was \$137,882 higher than the personal services budget approved for operation the department's pharmacies in FY88. The cost of drugs, however, are projected to be \$38,880 less than what is budgeted for FY89, and virtually equal to the adjusted FY87 actual drug costs. As previously mentioned, the department anticipates future savings in drug costs with the implementation of a standard formulary.

As with any large and complex change, the switch to contracting with a private vendor for the operation of the entire pharmacy program has not occurred without some problems. Most of those problems, however, have either evolved around communications, training, or an over ambitious implementation schedule. HPI officials were over optimistic in projecting the time required to implement the transition to a privately operated pharmacy system. As a result, the agreed upon implementation schedule was not realized. This created a sense of frustration among both institutional and HPI staff in that agreed upon services did not materialize as scheduled. In addition, because HPI misjudged the complexity of the transition, the central pharmacy was not adequately staffed at the beginning of the contract period.

Future transitions could be made less traumatic if steps were taken from the beginning to ensure implementation schedules were realistic and understood by all involved; to ensure adequate training is provided to the staff involved early in the transition process; to ensure lines of communication are formally established and scheduled to facilitate the effective resolution of issues as they arise; and if the private contractor ensures that the necessary numbers of staff are on hand at the beginning of the implementation phase of the contract.

The department has operated the contract with HPI for one year, and although the transition phase has not been totally completed and has not transpired as smoothly as planned, the

system is operating effectively.

Exhibit 2

January 13, 1989

Veterans Home

The previous OBPP staff took the position of reducing the base in drugs by 10% and then applying inflation to the same. They omitted doing both.

The position OBPP has taken is to reduce the base 5% and apply inflation to the Drug category. The highlighted lines indicate where the changes are from the previous submitted budget for the Veterans Home.

	EXEC FY90	LFA FY90	DIF FY90	EXEC FY91	LFA FY91	DIF FY91 -
Personal Serv	841,520	843,111	-1,591	848,242	850,363	-2,121
Contr Serv-Infla	29	28	1	58	58	
Supp/Matls-Infla	21,552	22,067	-515	32,329	33,110	-781
Commun-Infla		125	-125		104	-104
Utilities-Infla	11,776	11,776		16,270	16,270	
Contr Serv	148,247	106,804	41,443	150,040	107,076	42,964
Supplies/Materials	276,208	281,706	-5,498	276,208	281,706	-5,498
Communication	8,961	9,590	-629	8,961	9,590	-629
Travel	581	581		581	581	
Rent	3,274	3,274		3,274	3,274	
Utilities	80,958	80,959	-1	80,958	80,959	-1
Repair & Maint	15,716	15,716		15,716	15,716	
Other Expenses	3,463	3,463		3,463	3,463	
Goods/Resale	20,764	20,699	65	20,764	20,663	101
Total Level	591,529	556,788	34,740	608,622	572,570	-36,052
Equipment	12,590	5,827	6,763		5,827	-5,827
Total Program	1,445,639	1,405,726	39,913	1,456,864	1,428,760	28,104
General Fund	598,145	555,124	43,021	615,002	574,212	40,790
Veterans Canteen	20,764	20,764		20,764	20,764	
MT Vets Home	733,770	742,665	-8,895	733,770	742,665	-8,895
Third Party	87,360	81,573	5,787	81,728	85,519	-3,791
Interest/Income	5,600	5,600		5,600	5,600	
Total Program	1,445,639	1,405,726	39,913	1,456,864	1,428,760	28,104

REPORT EBSR99
 DATE : 01/03/89
 TIME : 10/53/01

OFFICE OF BUDGET & PROGRAM PLANNING
 EXECUTIVE BUDGET SYSTEM
 AGENCY/PROGRAM/CONTROL -- BUDGET DETAIL COMPARISONS

AGENCY : 6411 VETERANS HOME
 PROGRAM : 12 CARE & CUSTODY
 CONTROL : 00000

AF/OE	DESCRIPTION	ACTUAL FY 88	BUDGET FY 89	EXEC FY 90	LFA FY 90	DIFF FY 90	EXEC FY 91	LFA FY 91	DIFF FY 91
0000	FULL TIME EQUIVALENT (FTE)	81.30	81.30	38.55	39.05	- .50	38.55	39.05	- .50
1100	SALARIES	1,189,549.27	1,311,236	612,503	624,598	-12,095	612,503	624,598	-12,095
1102	OVERTIME	2,734.25		2,734	2,734		2,734	2,734	
1112	DIFFERENTIAL PAY	2,327.61		2,328	2,328		2,328	2,328	
1113	LONGEVITY	7,477.79		7,462	7,793	-331	8,011	8,543	-532
1114	HOLIDAYS WORKED	22,221.62		24,691		24,691	27,060		27,060
1400	EMPLOYEE BENEFITS	394,630.87	328,583	154,824	158,489	-3,665	158,717	162,545	-3,828
1500	HEALTH INSURANCE		110,400	53,545	54,925	-1,380	53,545	54,925	-1,380
1600	VACANCY SAVINGS		-49,771	-16,567	-33,856	17,289	-16,656	-34,020	17,364
1800					26,100	-26,100		28,710	-28,710
	TOTAL LEVEL	1,618,941.41	1,700,448	841,520	843,111	-1,591	848,242	850,363	-2,121
2021	CONTRACTED SERVICES-INFLATI			29	28	1	58	58	-15,755
2022	SUPPLIES & MATERIALS-INFLAT			11,676	22,067	-10,391	17,355	33,110	-104
2023	COMMUNICATIONS-INFLATION				125	-125		104	
2026	UTILITIES-INFLATION			11,776	11,776		16,270	16,270	
2100	CONTRACTED SERVICES	105,560.54	90,736	148,247	106,804	41,443	150,040	107,076	42,964
2200	SUPPLIES & MATERIALS	268,672.74	267,996	280,400	281,706	-1,306	280,400	281,706	-1,306
2300	COMMUNICATIONS	9,588.93	9,540	8,961	9,590	-629	8,961	9,590	-629
2400	TRAVEL	580.15	1,930	581	581		581	581	
2500	RENT	3,274.05	2,780	3,274	3,274		3,274	3,274	
2600	UTILITIES	80,958.29	116,399	80,958	80,959		80,958	80,959	
2700	REPAIR & MAINTENANCE	15,716.05	10,002	15,716	15,716		15,716	15,716	
2800	OTHER EXPENSES	3,462.20	2,888	3,463	3,463		3,463	3,463	
2900	GOODS PURCHASED FOR RESALE	16,023.05	20,764	20,764	20,699	65	20,764	20,663	101
	TOTAL LEVEL	503,836.00	523,035	585,845	556,788	29,057	597,840	572,570	25,270
3100	EQUIPMENT	9,849.00		12,590	5,827	6,763		5,827	-5,827
	TOTAL LEVEL	9,849.00		12,590	5,827	6,763		5,827	-5,827
	TOTAL PROGRAM	2,132,626.41	2,223,483	1,439,955	1,405,726	34,229	1,446,082	1,428,760	17,322
01100	GENERAL FUND	462,329.13	552,504	592,461	555,124	37,337	604,220	574,212	30,008
02920	VETERAN'S HOME-CANTEEN	16,023.05	20,764	20,764	20,764		33,770	20,764	
03112	MONTANA VETERANS HOME - VA	678,231.26	642,904	733,770	742,665	-8,895	81,728	742,665	-8,895
03113	THIRD PARTY REIMB-MVH	970,442.97	1,004,311	87,360	81,573	5,787	81,728	85,519	-3,791
03932	VET'S HOME INTEREST & INCOM	5,600.00	3,000	5,600	5,600		5,600	5,600	
	TOTAL PROGRAM	2,132,626.41	2,223,483	1,439,955	1,405,726	34,229	1,446,082	1,428,760	17,322

WITNESS STATEMENT

NAME Donald L. Harr BUDGET Veterans Home

ADDRESS 3010 Wendimere Lane, Billings, MT 59102 248-809

WHOM DO YOU REPRESENT? Self as a responsible veteran

SUPPORT ✓ OPPOSE ✗ AMEND _____

COMMENTS: With qualifications the intent and purpose of this bill is supported. Being a veteran of the USMCR on active duty in the south and midpacific during WWII, total enlistment December 1942 - November 1945, my basic opinion is that we veterans are responsible for ourselves on the same standards as other citizens except for those veterans who were ^{seriously} disabled in the line of duty or the immediate dependents of those who were killed or seriously disabled in the line of duty. If those involved in the Veterans Home, either currently or potentially in the future, can more appropriately meet the qualifications stated above and be cared for more economically in other facilities by available fiscal means, then the Veterans Home is unneeded and should not be maintained unnecessarily for emotional or traditional reasons.

D. L. Harr

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

