

MINUTES

MONTANA HOUSE OF REPRESENTATIVES  
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON HUMAN SERVICES & AGING

Call to Order: By CHAIRMAN JOHN COBB, on February 16, 1995, at  
8:00 a.m.

ROLL CALL

Members Present:

Rep. John Cobb, Chairman (R)  
Sen. Charles "Chuck" Swysgood, Vice Chairman (R)  
Rep. Beverly Barnhart (D)  
Sen. James H. "Jim" Burnett (R)  
Rep. Betty Lou Kasten (R)  
Sen. John "J.D." Lynch (D)

Members Excused: None

Members Absent: None

Staff Present: Mark Lee, Legislative Fiscal Analyst  
Lois Steinbeck, Legislative Fiscal Analyst  
Connie Huckins, Office of Budget & Program  
Planning  
Douglas Schmitz, Office of Budget & Program  
Planning  
Ann Boden, Committee Secretary

Please Note: These are summary minutes. Testimony and  
discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: Non-assumed counties TEAMS payments  
Executive Action: Department of Social and Rehabilitation  
Services: Medical Assistance

{Tape: 1; Side: A}

EXECUTIVE ACTION ON  
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES  
MEDICAL ASSISTANCE - PRIMARY CARE BUDGET

BUDGET ITEM: Revised primary care benefit request

Lois Steinbeck, Legislative Fiscal Analyst (LFA), gave the  
subcommittee a chart summarizing action taken and to be taken for  
the Department of Social and Rehabilitation Services (SRS).  
EXHIBIT 1 She asked the subcommittee to make a motion that  
subcommittee action be taken from the numbers listed on Table A,

Exhibit 1 which are the biennial totals, rather than per year appropriations.

**CHAIRMAN JOHN COBB** recommended the subcommittee start action from the base numbers on **Table 1, EXHIBIT 1** which is the lowered growth rate SRS has made from it's original projections.

**Motion/Vote:** **CHAIRMAN COBB** moved to accept the revised primary care benefit request as the base budget. **Table 1, EXHIBIT 1**  
Motion **CARRIED** unanimously.

The following budget items are from Table A, EXHIBIT 1

**PRESENT LAW ADJUSTMENTS**

**BUDGET ITEM: Transportation managed care savings**

**Motion/Vote:** **SEN. CHUCK SWYSGOOD** moved to accept \$488,692 for the biennium for transportation managed care savings operating costs and (\$583,666) for the biennium in benefit reductions.  
Motion **CARRIED** 5-1 with **CHAIRMAN COBB** voting no.

**BUDGET ITEM: Mental health managed care**

**Ms. Steinbeck** said this change is because the contract will not be effected until the beginning of FY97, so this reduces the savings for FY96 that was in the original Executive budget.

**REP. BETTY LOU KASTEN** asked if these changes mean the subcommittee is accepting managed care. **Ms. Steinbeck** answered the subcommittee could make it clear this is contingent on passage and approval of **SEN. KEATING's** bill by adding language. If this reduction is accepted the language would need to be added back if the bill fails.

**CHAIRMAN COBB** asked how **SEN. KEATING's** bill this session is different from the managed care bill passed last session.

**Peter Blouke, Ph.D., Director, Department of Social and Rehabilitation Services (SRS)**, said the bill passed last session allowed SRS to move forward with the mental health/managed care project. As this project evolved there were additional statutory changes that needed to be made. Some of these changes are in **SEN. KEATING's** bill including the funding or transfer of funds to include Warm Springs Hospital and the ability to cover individuals currently covered with general fund under the Medicaid program.

**Motion/Vote:** **CHAIRMAN COBB** moved to accept (\$701,628) for the biennium in benefit reductions for mental health managed care.  
Motion **CARRIED** 5-1 with **SEN. J.D. LYNCH** voting no.

BUDGET ITEM: HMO/Passport savings

CHAIRMAN COBB asked why this is a cost to the general fund without net general fund savings.

Nancy Ellery, Administrator, Medicaid Division, SRS answered there are very small savings in the first year because of the HMO program start-up costs. Other states which have gone to HMO have seen savings accrue in the second and third years, not the first.

CHAIRMAN COBB said if this item passes he will make a motion to add more savings in FY97. This motion is based on an increase by 3,500 recipients in FY97 which will save an additional \$204,539 in general fund.

Motion/Vote: SEN. JIM BURNETT moved to accept \$2,136,965 for the biennium in operating costs for HMO/Passport savings and (\$1,153,477) for the biennium in benefit reductions. Motion CARRIED unanimously.

Motion: CHAIRMAN COBB moved to accept an additional \$204,539 general fund plus the federal match to be added to savings because of HMO participation increasing by 3,500 in FY97.

Discussion: CHAIRMAN COBB invited SRS to respond to this motion.

Ms. Ellery said SRS has determined it is best to implement managed care slowly, based on other state's experiences. SRS believes 6,000 AFDC individuals the first year, then adding disabled individuals the second year for 13,000 enrollment is the best phase in plan. The AFDC population has lower costs, so more dramatic savings will be seen when the disabled population is added.

Vote: Motion CARRIED 5-1 with SEN. SWYSGOOD voting no.

BUDGET ITEM: Utilization review contract savings

Motion/Vote: SEN. LYNCH moved to accept \$250,836 over the biennium in operating costs for utilization review contract savings and (\$4,749,164) over the biennium in benefit reductions. Motion CARRIED unanimously.

NEW PROPOSALS

BUDGET TIME: Mental health managed care

Ms. Steinbeck said this is probably the largest change to the primary care budget. SRS originally anticipated a \$2.1 million savings in each year of the biennium, but since the mental health managed care won't be up in FY96, the savings is now for FY97 only. This represents savings across all the departments

included in the mental health managed care. Any savings in the Department of Corrections and Human Services (DCHS) and in the Department of Family Services (DFS) are reflected in this \$2.1 million reduction to the SRS budget.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$137,990 for the biennium in operating costs for mental health managed care and (\$1,962,010) for the biennium in benefit reductions. Motion CARRIED unanimously.

**BUDGET ITEM: Personal health telephone info**

Ms. Steinbeck said SRS estimated in the original contract this would cost \$.50 a phone call to implement; the revised estimates are \$.80 a phone call. The first year contract administration costs are estimated to be higher than second year costs.

SEN. SWYSGOOD asked why the cost estimate has increased. Ms. Ellery answered it is not a per phone call cost, but a cost per eligible client per month. The increase in cost is simply a reflection of the difference in SRS' original estimate and the actual estimates being given by contract bidders.

SEN. LYNCH said is it "crazy" to have the telephone and the Passport program duplicating in all but 19 counties.

**Motion:** SEN. LYNCH moved that the personal health telephone info. go only to the 19 counties that do not have access to Passport and the (\$1,088,600) benefit reductions remain.

**Discussion:** Dr. Blouke said when the estimated savings in this budget was based on experiences in other states. If the program is restricted to just 19 counties the budget savings will have to be reduced significantly.

SEN. LYNCH argued the savings should still be realized by Passport. Dr. Blouke responded that Passport savings are already built into the budget.

CHAIRMAN COBB said another option would be to move language that requires the \$83,000 savings, but SRS can determine if that savings will be by restricting service to just the 19 counties or through other means.

SEN. LYNCH said "the duplication is crazy ... it should be done only in the 19 counties ..." Savings should occur whether clients use the telephone service or Passport.

Ms. Ellery agreed there appears to be duplication but it has worked in areas where there will never be managed care. By restricting it to counties that don't have Passport, SRS will not be able to achieve optimum savings.

**Vote:** Motion **FAILED** 2-4 with REP. BEVERLY BARNHART and SEN. LYNCH voting yes.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$1,286,400 for the biennium in operating cost for personal health telephone info. and (\$1,088,600) for the biennium in benefit reductions. Motion **FAILED** 3-3.

**BUDGET ITEM: Selective contracts (out-of-state hosp)**

Ms. Steinbeck said this is to do selective contracts with out-of-state hospitals as a cost control method. An additional FTE is added in new proposals.

Ms. Ellery explained the current hospital out-patient FTE does to both out-of-state contracting and manages the hospital out-patient program. In order to make necessary changes to the out-of-state hospital contracts an additional FTE is needed.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$149,372 for the biennium in selected contracts and (\$450,628) in benefit reductions. Motion **CARRIED** unanimously.

**BUDGET ITEM: Hospital/RTC audits**

Ms. Steinbeck said because of an oversight all the general fund savings and benefits have been removed. According to SRS this reduction could cut residential center reimbursement rates by 5% immediately.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$204,000 for the biennium for operating costs in Hospital/RTC audits and (#378,708) for the biennium in benefit reductions. Motion **CARRIED** unanimously.

**BUDGET ITEM: S/URS open cases review**

Ms. Ellery said medical support section staff looks at "exception" cases that fall outside certain parameters. They do utilization reviews to determine if there has been over- or under-payments. This request increases contract dollars to increase the number of cases that can be reviewed. Savings are associated with this because of additional recovery from the providers.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$74,372 for the biennium for operating costs for S/URS open cases review and (\$85,628) for the biennium in benefit reductions. Motion **CARRIED** unanimously.

BUDGET ITEM: Dental increase for children's services

Motion/Vote: SEN. LYNCH moved to accept \$1,779,188 for the biennium in benefit reduction for dental increase in children's services. Motion FAILED 3-3.

BUDGET ITEM: Increase DRG base (hospital rate incr.)

Motion/Vote: SEN. LYNCH moved to accept \$150,000 for the biennium in operating costs to increase DRG base and \$3,937,414 for the biennium in benefit reductions. Motion FAILED 3-3.

BUDGET ITEM: Primary care (out-patient hosp. savings)

Ms. Ellery said this budget reflects implementing recommendations made from a study authorized by the last legislature. SRS is changing out-patient reimbursement from cost-based to fee-based. It will be similar to how Medicaid is reimbursed.

Motion: CHAIRMAN COBB moved to accept (\$1,495,024) for the biennium in primary care (out-patient hosp. savings) in benefit reductions.

Discussion: SEN. LYNCH said he will vote against this motion because going to a fee system may save the state money but it increases the costs to private payers and insured payers. Hospital rates are going up because of the system going to a fee basis rather than cost basis.

Vote: Motion CARRIED 4-2 with SEN. LYNCH and SEN. SWYSGOOD voting no.

These motions are from the Executive Budget book - Page B-63

PRESENT LAW ADJUSTMENTS

BUDGET ITEM: Personal services; inflation/deflation; fixed costs

Motion/Vote: REP. KASTEN moved to accept \$250,724 in FY96 and \$263,098 in FY97 for personal services; (\$21,089) in FY96 and (\$24,216) in FY97 for inflation/deflation; and (\$105,573) in FY96 and (\$103,905) in FY97 for fixed costs. Motion CARRIED unanimously.

BUDGET ITEM: Contracted Services: Pharmacy Point of Sale/Drug Utilization Review/Pharmacy Consultant

Ms. Ellery said this request allows the continuation of implementing cost savings in the pharmacy program through drug

utilization review and the point of sale system. Significant savings have been achieved in the past three to four months.

Motion/Vote: CHAIRMAN COBB moved to accept \$454,247 in FY96 and \$472,618 in FY97 for pharmacy point of sale/drug utilization review/ pharmacy consultant. Motion CARRIED unanimously.

Motion: CHAIRMAN COBB moved to save in FY96 \$206,183 and in FY97 \$293,023 in FY97 with the federal match.

Discussion: Ms. Steinbeck explained SRS did not include reductions in their budget similar to the other reductions when contracts are effected that are expected to recoup money. CHAIRMAN COBB's motion is for an estimated of savings that would accrue due to increased utilization review and oversight of drug use.

CHAIRMAN COBB said this reduction assumes a ratio of \$1.50 savings to every \$1.00 in cost in FY96 and a \$2.00 to \$1.00 ratio in FY97. Growth rates to the drug costs are estimated to grow at 20% annually. CHAIRMAN COBB invited SRS to respond.

Dr. Blouke said these savings are already in the projected growth rate. This motion will take the savings out twice.

Ms. Steinbeck asked if the contract had been fully implemented in FY94 and FY95. Ms. Ellery answered the drug utilization contract has been implemented since 1994, but the point of sale and the formulary part was implemented in October. The savings from the drug program has been included in the budget projections.

Vote: Motion CARRIED unanimously.

Motion: CHAIRMAN COBB moved to save in \$242,579 general fund in FY96 and \$298,213 general fund in FY97 in formulary savings.

Discussion: Ms. Steinbeck said during the special session one of the suggestions SRS made in an effort to help reduce Medicaid costs was introduction of a formulary. A formulary lists ingredients that maximizes healing - they are the least cost alternatives, not because they cost less but because the drug ingredients are more effective at treating illnesses. SRS contracted with the University of Montana to do the formulary and has not been able to bring it on line as quickly as anticipated. Formulary updates are made every quarter and there is still two to three more quarters of updates to be made. CHAIRMAN COBB's motion is based on an LFA proposal to consider savings that have not been fully implemented because of the delay in full implementation of the formulary.

CHAIRMAN COBB invited SRS to respond.

Dr. Blouke said the SRS projections and savings are rolled into the estimated drug costs. This was brought down to 20% from an estimated reduction of 27-28%.

Vote: Motion CARRIED unanimously.

BUDGET ITEM: Contracted services: Nurse aide testing and certification

Ms. Ellery said this request is based on estimates provided by the Department of Health, which administers the nurse aide testing program. It's a federal requirement to test and keep a registry of all nurse aides. This budget item reflects the cost of maintaining that registry and testing function. If it isn't done the federal government can cite Montana for being out of compliance and disallow federal funds. This funding is a 50%:50% state-federal match.

Motion: CHAIRMAN COBB moved at accept \$150,923 each year of the biennium for nurse aide testing and certification.

Discussion: SEN. SWYSGOOD asked how many new nurses aides will there be over the biennium to warrant this increase. Denzel Davis, Department of Health, answered there are currently about 6,000 nurse aides on the register and the turn-over rate for nurses aides runs 40%-60% annually.

Vote: Motion FAILED 1-5 with CHAIRMAN COBB voting yes.

BUDGET ITEM: Contracted services: Long-term care utilization review

Ms. Ellery explained long-term care utilization review is a federal requirement under OBRA. The screening is to make sure the people in nursing homes really need those services rather than alternative, less costly services.

SEN. SWYSGOOD asked why the Executive asks for \$70,000 while SRS is asking for \$125,000.

{Tape: 1; Side: B

Ms. Steinbeck said the \$70,000 figure was an LFA error and \$125,000 is the correct figure.

Ms. Ellery said the patients served under the waiver are increasing from about 500 to 800-900. There's also an annual inspection of care included.

Motion/Vote: SEN. LYNCH moved to accept \$125,000 each year of the biennium for long-term care utilization review. Motion FAILED 3-3.

BUDGET ITEM: Contracted services: Nursing home and hospital audits

Motion/Vote: CHAIRMAN COBB moved to accept \$70,552 each year of the biennium for nursing home and hospital audits. Motion CARRIED 4-2 with SEN. BURNETT and SEN. SWYSGOOD voting no.

BUDGET ITEM: Contracted services: Budget and analysis contract

Ms. Ellery said this contract is to increase SRS's ability and resources to manage it's \$3 million-plus budget. Two FTE in the Medicaid office work in analyzing and projecting Medicaid expenditures to make sure that SRS is managing the budget as effectively as possible. This contract provides increased resources to get more resources for analyzing and managing t this budget.

CHAIRMAN COBB asked what it would cost for a state employee - an FTE - to do this. Ms. Ellery said the cost would be the same for an FTE as for the contract.

Motion/Vote: CHAIRMAN COBB moved to approve \$39,186 each year of the biennium for 1.0 FTE each year of the biennium for budget and analysis. This would keep the funds in-house rather than through a contract. Motion FAILED 2-4 with REP. BARNHART and REP. BARNHART voting yes.

Motion/Vote: CHAIRMAN COBB moved to approve \$39,186 each year of the biennium for budget and analysis contract. Motion FAILED 1-5 with CHAIRMAN COBB voting yes.

BUDGET ITEM: Contracted services: Other contracted services differences; MMIS operations contract; MMIS enhancements; Mental health managed care; ABT hospital rate study

Motion/Vote: REP. KASTEN moved to accept \$79,279 in FY96 and \$75,779 in FY97 for other contracted services differences; (\$2,155,704) each year of the biennium for MMIS operations contract; (\$258,335) each year of the biennium for MMIS enhancements; (\$173,808) each year of the biennium for mental health managed care; and (\$128,274) each year of the biennium for ABT hospital rate study; with instructions to the LFA to only remove these funds once if other action has already removed funds. Motion CARRIED 5-1 with SEN. LYNCH voting no.

BUDGET ITEM: Rent

Motion/Vote: CHAIRMAN COBB voted to accept \$56,069 each year of the biennium for rent. Motion CARRIED 5-1 with SEN. LYNCH voting no.

**BUDGET ITEM: Equipment**

Dr. Blouke reported the cost over the biennium for equipment could be reduced \$19,200 because of the drop in the cost of the MEDSTAT computers since the initial estimate. Ms. Steinbeck said this would be 50% reduction from general fund.

**Motion/Vote:** CHAIRMAN COBB moved to accept (\$288,791) in FY96 and (\$301,591) in FY97 for equipment with an additional (\$19,200) over the biennium to be adjusted appropriately over the two years. Motion CARRIED unanimously.

**BUDGET ITEM: Benefits: Nursing homes**

Ms. Steinbeck went over EXHIBIT 1, Table 4. Initially, in the budget proposal, the rate increase was funded with an increase in the bed tax. After some adjustments, the Executive decided to not increase taxes and not impose a nursing home bed tax, so the revised Executive budget funds the rate increase entirely from the general fund.

**Motion/Vote:** CHAIRMAN COBB moved to accept the corrected present law base from EXHIBIT 1, Table 4 of \$93,684,559 in FY96 and \$95,607,020 in FY97 for nursing homes. Motion CARRIED unanimously.

CHAIRMAN COBB asked if SRS had any excess revenues reflected in this item. Ms. Ellery said there are no excess revenues and there is an on-going dispute with the health care financing administration (HCFA) about the bed tax. SRS is negotiating with HCFA on the status of SRS qualifying for a "waiver of uniformity". HCFA says the bed tax is not uniform because it doesn't tax unoccupied beds and SRS disagrees.

SEN. LYNCH left the meeting.

REP. KASTEN said SRS should be given the rate increase that is due from their cooperation to put in the bed tax. This increase would be above what would be funded by the bed tax.

CHAIRMAN COBB said \$1.5 million is what is needed to bring SRS to the bed-tax estimates.

Ms. Steinbeck said in the last session the issue was that the nursing homes believe the rate increase should have gone to expanding their rate of reimbursement. In fact the bed tax offset general fund costs instead of going to a rate increase.

Dr. Blouke said the previous session took \$1.9 million of the top to fund other budgets. SRS is now using all the bed tax in terms of calculation of reimbursement.

Ms. Steinbeck said if the subcommittee requests the revised Executive on the rate increase, it will add \$1.5 million general fund above the Executive budget if the bed tax isn't raised.

No motion was made for the revised Executive request.

BUDGET ITEM: Benefits: Indian Health

Ms. Steinbeck went over EXHIBIT 1, Table 3 regarding Indian Health adjustments. For the first time SRS is requesting general fund be budgeted for Indian health benefits. Until this request it has been 100% federal funds.

Ms. Ellery explained the reason for the general fund request is that two tribes have broken off from Indian Health Services (IHS) funding and are enrolled as Medicaid providers in their own right. SRS has to reimburse these tribes according to the regular Medicaid match, not with the 100% federal funding.

CHAIRMAN COBB asked why the revised request is still spends more. Ms. Ellery answered it is due to increased billing by IHS. IHS is the last payer, even over Medicaid. IHS has in the last several years been successful in getting more of its people qualified for Medicaid.

Motion/Vote: CHAIRMAN COBB moved to accept the revised request EXHIBIT 1, Table 3 for Indian Health. Motion CARRIED 4-1 with SEN. SWYSGOOD voting no.

BUDGET ITEM: Benefits: Residential youth psychiatric care

Motion/Vote: CHAIRMAN COBB moved to accept \$2,054,427 for FY96 and \$1,938,598 spending authority for residential youth psychiatric care. Motion CARRIED 5-0.

BUDGET ITEM: Benefits: TCM mentally ill

Motion/Vote: CHAIRMAN COBB moved to accept \$1,719,862 in FY96 and \$2,697,744 in FY97 spending authority for TCM mentally ill. Motion CARRIED 5-0.

BUDGET ITEM: Benefits: Elderly waiver; Disabled waiver

Ms. Steinbeck said the elderly waiver and the disabled waiver allow SRS to serve residents in a community setting who otherwise would be eligible for nursing home care. This subcommittee authorized expansions to the elderly and disabled waiver - in the last regular session it added 40 cases plus inflation and in the special session it accepted language authorizing SRS to use \$1 million of general fund to expand home and community based

services if the growth rate fell. SRS made accounting adjustments in FY94 to allow compliance with this language in FY95. This is not an entitlement program, one of the first waivers of federal regulations is state-wideness. Clients in counties that don't have the waiver won't get waiver services. The waiver is about \$200,000 a year which is already in the base. If the increase between FY94 and FY95 is annualized it will be about \$1 million \$1 million general fund increase each year.

CHAIRMAN COBB asked how many more people are being served. many Ms. Ellery said SRS is able to serve about 3,000 more people on the waiver as the result of the funding authorized in the special session. The waiver has grown from 30 counties to 52 counties.

Motion/Vote: SEN. SWYSGOOD moved to accept the revised request EXHIBIT 1, Table 3 for elderly waiver and disabled waiver. Motion CARRIED 5-0.

BUDGET ITEM: Benefits: Medicare buy-in

Ms. Ellery explained the revised request is increasing because Medicaid has received official notification from HCFA that the Medicare buy-ins have increased. When clients are eligible for both Medicaid and Medicare, Medicaid pays the co-insurance and the deductibles. This is a federally required split of 80% Medicare and 20% Medicaid.

Motion/Vote: CHAIRMAN COBB moved to accept the revised request EXHIBIT 1, Table 3 for Medicare buy-in. Motion CARRIED 5-0.

BUDGET ITEM: Benefits: Medicaid eligible education costs

Ms. Ellery said this is reimbursement to the Office of Public instruction for services that Medicaid eligible receive in school, such as physical, speech and occupational therapy. This is 100% federal fund.

Motion/Vote: REP. KASTEN moved to accept \$109,224 for FY96 and \$171,408 for FY97 for Medicaid eligible education costs. Motion CARRIED 4-2 with REP. BARNHART and SEN. SWYSGOOD voting no and SEN. LYNCH voting yes when he returned.

BUDGET ITEM: Benefits: Institutions

Ms. Ellery said the revised request reflects estimates from DCHS that were different from the original budget request.

Ms. Steinbeck said this is all federal funds used to offset general fund.

Motion/Vote: SEN. SWYSGOOD moved to accept the revised request EXHIBIT 1, Table 3 for state institutions. Motion CARRIED 5-0.

**BUDGET ITEM: Benefits: Medicaid accrual adjustments**

Ms. Steinbeck said these adjustments are for prior year expenditures which are recorded as accounting transactions this year. Since this doesn't represent on-going costs it needs to be reduced from the base.

Norm Rostocki, Section Chief, Budget and Institutional Reimbursement Bureau, Medicaid Services Division, SRS, said SRS is opposed to this because at the end of a fiscal year the bureau makes a projection on how much more money needs to be paid out. When the bills do actually arrive, the amount accrued is reduced and the money set aside is used. State accounting uses a double entry bookkeeping system which is where the negative side of the accounting goes. It's not actually a reduction to current expenditures, it is the other side of accrual expenditures.

Ms. Steinbeck said this shows up as a separate component of the SRS budget and is zero in the Executive budget. If it is added back in it will increase general fund expenditures by nearly \$1.4 million each year of the biennium.

Dr. Blouke said SRS will support this at this point and approach the committee with it later if it is needed.

**Motion/Vote:** CHAIRMAN COBB moved to accept (\$4,403,280) each year of the biennium for Medicaid accrual adjustments. Motion CARRIED 5-0.

SEN. LYNCH returned.

**BUDGET ITEM: Transfer/debt service**

Ms. Steinbeck said the LFA narrative may be in error and this budget item may not be needed.

The subcommittee deferred action until the LFA and SRS could to determine if a motion on this item was needed.

**BUDGET ITEM: Baby your baby (admin)**

Ms. Steinbeck The "Baby your Baby" campaign is managed by the Department of Health, but because of federal regulation SRS must receive the federal funds and the state special revenue match, then transfer the money to the Department of Health.

Ms. Ellery said this gives SRS additional federal authority to match donations received from private individuals to finance the "Baby your Baby" campaign. It's a multi-media campaign to educate pregnant women about the need for pre-natal care. There's no general fund in terms of Medicaid, it's federal 50%:50% match with private donations.

Motion/Vote: SEN. LYNCH moved to accept the Baby your baby (admin) request EXHIBIT 1 Table 3. Motion CARRIED unanimously.

NEW PROPOSALS

BUDGET ITEM: Liens and estate recoveries

Ms. Steinbeck explained liens and estates recoveries broken out in EXHIBIT 1, Table 4.

Ms. Ellery said this is tied to SEN. MIGNON WATERMAN's SB 236.

Motion/Vote: SEN. SWYSGOOD moved to accept (\$410,000) in FY96 and (\$510,000) in FY97 for liens and estate recoveries contingent on passage of SB 236. Motion CARRIED 5-1 with SEN. LYNCH voting no.

BUDGET ITEM: Montana/Cares

Ms. Ellery said this allows the resources needed to implement new alternatives to nursing homes required under Medicaid that include assisted living facilities and adult foster homes. Montana has a slow rate of growth in the use of nursing homes, about 1% growth. One of the main reasons for this is because of alternative programs. This is a way to contain the long-term care budget.

Motion/Vote: SEN. LYNCH moved to accept \$39,186 in Fy96 and \$35,186 in FY97 for Montana/Cares. Motion FAILED 3-3.

BUDGET ITEM: OBRA related nurse aide

Ms. Ellery said recent federal regulations mandate the implementation of certain sanctions and enforcement on nursing homes who are out of compliance with federal requirements. This is contracted through the Department of Health. The regulations are quite comprehensive and there is additional workload for the Department of Health. This is a 50%:50% federal match.

CHAIRMAN COBB asked what is the projected workload increase. Mr. Davis said in all honestly this estimate is just a guess.

Motion/Vote: SEN. LYNCH moved to accept \$651,818 for FY96 and \$649,818 for FY97 for OBRA related nurse aide. Motion FAILED 3-3.

BUDGET ITEM: Medical support section

Motion/Vote: REP. KASTEN moved to accept (\$40,814) in FY96 and (\$44,814) in FY97 for medical support section. Motion CARRIED unanimously.

BUDGET ITEM: Assess long term care recipients; LTC computerized assessment tool

Ms. Ellery this makes further reforms to the long term care system. Right now the system has multiple agencies and multiple assessments. A recently completed study recommends SRS automate the process to reduce duplication and overlap in assessing people for the nursing home and the waiver. This modification will allow the computerization of the process so all assessments are performed in the same way. In the FY97 budget there is a \$50 fee for each screening. The system will be implemented in FY96 with screening beginning in FY97.

Motion/Vote: CHAIRMAN COBB moved to approve \$550,000 in FY97 for assess long term care recipients; and \$150,000 in FY96 and \$20,000 in FY97 for LTC computerized assessment tool. Motion CARRIED 5-1 with REP. KASTEN voting no.

BUDGET ITEM: Medical support section

CHAIRMAN COBB said in the previous motion on medical support section the LFA issue for increased savings based on previous program experience had not been included.

Motion/Vote: REP. KASTEN moved to accept the LFA issue to reduce general fund benefits by \$18,542. Motion CARRIED unanimously.

BUDGET ITEM: Outpatient hospital FTE

Motion/Vote: CHAIRMAN COBB moved to accept 1.00 FTE and \$39,186 in FY96 and 1.00 FTE and \$35,186 in FY97 for outpatient hospital FTE. Motion FAILED 2-4 with REP. BARNHART and CHAIRMAN COBB voting yes.

BUDGET ITEM: MMIS-TPL enhancement

Motion/Vote: CHAIRMAN COBB moved to accept \$65,808 each year of the biennium for MMIS-TPL enhancement. Motion CARRIED unanimously.

Motion: CHAIRMAN COBB moved to remove \$163,404 general fund in FY96 and \$167,400 general fund in FY97 from MMIS-TPL enhancement.

**Discussion:** Dr. Blouke said SRS has already taken \$864,000 in TPL savings. That was predicated on the MMIS-TPL enhancement.

CHAIRMAN COBB asked where the savings show up in the budget if no action is taken. Dr. Blouke answered it is in the primary care revised estimates.

Ms. Steinbeck said SRS has reflected all the operating increases and benefits reductions in the revised estimates with the exceptions of drugs and TPL savings. SRS has built in their savings and not linked it to operating costs increases.

Dr. Blouke said savings and operating costs were linked for MMIS-TPL enhancement.

**Vote:** Motion CARRIED 4-2 with SEN. LYNCH and SEN. SWYSGOOD voting no.

{Tape: 2; Side: A; Approx. Counter: 9.0}

#### PUBLIC TESTIMONY ON TEAMS COSTS FOR NON-ASSUMED COUNTIES

Ms. Steinbeck said the welfare reform proposal funds computer processing costs for the child care system and the welfare system partially from non-assumed county funds. During the last session one of the general fund offset cost reductions that this subcommittee took was to assess non-assumed counties for part of the TEAMS mainframe processing costs. The mainframe processing costs are actually billed to counties based on their usage. Assumed counties processing costs are paid from the general fund and non-assumed counties processing costs are paid from their state special revenue - which is property tax revenue. Mainframe processing costs are 50%:50% split between federal and state. In the Executive Budget there's \$144,237 over the biennium of county funding to fund the welfare reform processing costs.

Sandy Oitzinger, Montana Association of Counties (MACO), testified one of the reasons MACO hopes to hold the line against TEAMS increases attributable to welfare reform is because counties already have TEAMS increases this fiscal year due to a billing correction from SRS. Between December 1994 and January 1995 the counties saw their TEAMS billing more than double because of the billing correction. In the initial stages of developing TEAMS there were assurances to the counties that they would not sustain additional costs as a result of this new system.

Mike Billings, Administrator, Operations and Technology Division, SRS, said the initial agreement did not guarantee counties no additional costs. TEAMS was given thorough consideration during the 1993 session. SRS has picked up a lot of the costs for TEAMS operations including purchase of all the equipment in the counties. The 1993 legislature reviewed this situation very

thoroughly and determined to allocate a share of processing and forms costs to the counties.

Ms. Oitzinger said the assurances of no increased costs were given in 1989. CHAIRMAN COBB said the understanding from 1989 does not effect the current question of if this legislature will pick up the \$144,237 cost.

REP. KASTEN said spreading \$144,237 over 44 counties, with the largest amount being in Yellowstone County, it is probably only a small cost for the other counties. Ms. Oitzinger said the small counties are the most concerned. In McCone County the billing correction raised billing from \$743 to almost \$1,700 in one month.

Mr. Billings explained the billing error was in the implementation of the 1993 session billing-out process. SRS sets up specific accounts for each county at ISD. The ISD processing for county activity is roughly 50% of the total cost of operations of TEAMS, which is allocated to the counties in direct proportion to their usage. This 50% was left out of the actual bill calculation process. However, the initial estimate given to counties at the beginning of the fiscal year included the 50%. So counties had budgeted for this expense, but SRS did not bill them. The billing correction is not retroactive for all of 1994. Yellowstone and Gallatin counties, which have the far greatest share, have not complained. The largest protests have been from counties which pay \$250 a year.

CHAIRMAN COBB said if the subcommittee decides to pick up the \$144,237 that motion should make it clear this is a one-time expenditure. Counties cannot assume the state will pick this cost up every biennium in the future.

{Tape: 2; Side: A; Approx. Counter: 30.5}

CONTINUED EXECUTIVE ACTION ON  
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES  
MEDICAL ASSISTANCE - PRIMARY CARE BUDGET

NEW PROPOSALS (continued):

BUDGET ITEM: Contract/develop RBRV's system

CHAIRMAN COBB asked if SRS is asking this to be a biennial appropriation. Dr. Blouke responded a biennial appropriation would be preferred, but it would be acceptable as a FY97 appropriation.

Motion/Vote: CHAIRMAN COBB moved to accept \$100,000 as a biennial appropriation for Contract/develop RBRV's system. Motion CARRIED 5-1 with SEN. SWYSGOOD voting no.

**BUDGET ITEM: MEDSTAT contract**

Mr. Billings said this contract with the MEDSTAT group provides greatly enhanced ability to access Medicaid data. The system allows SRS to look at best practices in terms of various procedures and utilizations. The system is in the process of being installed. The budget request is for ongoing costs of the system, particularly keeping the data bases updated.

Dr. Blouke said one of the major advantages to the MEDSTAT database is the ability to monitor why increases are happening and in what areas. This is a very important tool in being able to control the Medicaid program, particularly if changes need to be determined for the growth rate. Under the revised health care reform program one of the things SRS will be charged with is to develop a comprehensive data system for health care across the state. Between SRS and Blue Cross/Blue Shield there is data on approximately 80% of the health care expenditures in the state. Blue Cross/Blue Shield already has a MEDSTAT system, so it will provide a platform for interfacing the two data bases.

Ms. Steinbeck said MEDSTAT could be used to track workman's comp claim as well as state employee health insurance and it could be expanded to the whole state system. If the legislature ever wanted to try to organize buying power as one single group for all health plans in the state, this data base could be a mechanism to accomplish that. An issue with MEDSTAT is it's long term versus short term uses. In the short term before managed care becomes fully operational, MEDSTAT will provide a good comparison between fees-for-services and it will provide a good comparison for the data SRS uses and manipulates. When managed care comes on line it will have to use data provided by the managed care contract; it won't be priced the same and won't have won't have the same kind of comparability to the MEDSTAT data. One managed care is successfully implemented the MEDSTAT system be the same because the state won't be in the position to make selective cuts to the managed care contract through the system.

**Motion/Vote:** CHAIRMAN COBB moved to accept \$419,000 each year of the biennium for MEDSTAT contract. Motion CARRIED unanimously.

**Motion:** CHAIRMAN COBB moved to remove from the Medicaid budget \$443,763 general fund in FY96 and \$649,450 general fund in FY97.

**Discussion:** CHAIRMAN COBB explained the reason for his motion is because the MEDSTAT data system will provide opportunities for SRS to identify, by utilization, providers and clients as well as ways to influence the Medicaid cost growth. This reduction is based on a ration \$3.5 savings to \$1 cost in FY96 and \$5 savings to \$1 costs in FY97. This savings rate is much lower than originally represented by the MEDSTAT contractor. The contractor said MEDSTAT has been able to take 2% off the trend line in companies where it has worked. That would be \$2 million each year in general fund. The contractor later said it would take

three to five years before the state could achieve any savings.  
**CHAIRMAN COBB** invited SRS to respond.

**Dr. Blouke** said when MEDSTAT contractor was giving savings figures it was based on experience with corporate insurance policies, which are not entitlement programs. The Medicaid program doesn't have the kind of control private corporations do. Those kind of trend savings won't be there for the state.  
**CHAIRMAN COBB** said MEDSTAT information can identify where the high cost patients are - whether they should be targeted for case management; as well as which high cost providers may be targeted for lower rate negotiations.

**VOTE:** Motion **FAILED** 3-3.

**BUDGET ITEM: Equipment**

**Motion/Vote:** **CHAIRMAN COBB** moved to accept \$17,000 in FY97 for equipment. Motion **FAILED** 3-3.

**BUDGET ITEM: Personal services reductions**

**Motion/Vote:** **SEN. LYNCH** moved to accept (\$113,228) in FY96 and (\$114,247) in FY97 for personal services reductions. Motion **CARRIED** unanimously.

**OTHER MOTIONS**

**ITEM: Audit Findings**

**Motion:** **CHAIRMAN COBB** moved to accept a reduction from the Medicaid budget based on audit findings of \$460,600 in FY96 and \$1,210,453 in FY97.

**Discussion:** **CHAIRMAN COBB** explained the federal government asked Montana to do audits on Medicaid and Medicare cost recovery. The state auditor's office did a small audit, at the cost of \$5,000, and identified possible savings of nearly \$1 million in drug rebates that hadn't been paid. Most of these rebates go to the federal government but about \$164,000 would go to the general fund. There are 39 audits in total recommended by the federal government, although not all audits would be done in Montana. SRS should be able to do these audits and save some general fund in the Medicaid budget.

**SEN. LYNCH** said this is a gamble because if the savings aren't realized SRS will have to cut benefits or shift more costs to other people. **CHAIRMAN COBB** said this isn't a gamble because it's based on audits conducted in other states that have been very successful in identifying cost savings.

SEN. LYNCH asked why the state hasn't been able to collect drug rebates. CHAIRMAN COBB sometimes drug companies dispute the rebates and the state doesn't follow through on the collections.

CHAIRMAN COBB invited SRS to respond. Ms. Ellery said SRS would need to have funds authorized to pay for the audits. These savings are based on audits that haven't been done and there is no way to know if the audits will find more savings.

CHAIRMAN COBB said the federal government is willing to pay its share of the audit costs. If SRS wants to do the audits, the legislature will fund it up front. If the decision is for the state auditor's office to make these audits, the legislature will direct them to make the audits through the annual listing of required performance audits. Also the Governor's office is interested in these audits and may be another source of funding.

Vote: Motion CARRIED 4-2 with SEN. LYNCH and SEN. SWYSGOOD voting no.

ITEM: Blip amendment

Motion: CHAIRMAN COBB moved to accept the Blip amendment to remove \$184,240 in FY96 from general fund.

Discussion: CHAIRMAN COBB said the Blip amendment is the "blip" in the growth rate projections that have no real explanation from SRS other than that a "blip" happened 24 months ago. There shouldn't be a "blip", there should be a continuous growth rate. This motion is for half of the "blip" SRS projected.

CHAIRMAN COBB invited SRS to respond. Mr. Billings said the "blip" results from the mathematical model used to project Medicaid expenses. This model has a memory that goes back two years and remembers big "blips".

Dr. Blouke cautioned that the growth rate hasn't gone down and the state can't simply legislate growth rate.

Vote: Motion CARRIED 5-1 with SEN. LYNCH voting no.

ITEM: Language for SRS

Ms. Steinbeck provided a copy of the language for the subcommittee to consider. EXHIBIT 2

The subcommittee deferred action on language until the next meetings.

**ITEM: Line item for hospitals**

Ms. Steinbeck said the hospitals has asked this subcommittee to expressly tell how much money is appropriated in Medicaid budget to hospitals. The last time the subcommittee did this through putting a line item in the budget, which was very work extensive when the LFA had to prepare amendments for the bill. This request is for the subcommittee to put in language for the amount appropriated to hospitals and let the LFA tally it at the end and insert the correct amounts in the free conference committee.

**Motion/Vote:** SEN. LYNCH moved to accept the language for line-item for hospitals. Motion CARRIED unanimously.

**ITEM: Child support**

CHAIRMAN COBB said if child support collections are raise now instead of waiting several years it will cost about \$756,000 each year general fund. SRS projects to collect several million dollars more now than waiting several years.

*{Tape: 2; Side: B}*

Mary Anne Wellbank, Administrator, Child Support Enforcement Division, SRS, said the 2% employee incentive for collections is a pay plan issue and shouldn't be part of this budget item.

**Motion:** SEN. SWYSGOOD made a motion for \$740,000 adjusted general fund each year of the biennium to collect for more child support AFDC and non-AFDC instead of waiting, and removing the \$16,000 for 2% employee incentive.

**Discussion:** SEN. SWYSGOOD said he's making this motion because it has a direct impact on welfare reform and the reduction in the caseload increase could save money.

**Vote:** Motion CARRIED 5-1 with REP. KASTEN voting no.

**Item: Offset general fund with state special revenue**

Ms. Steinbeck said a department issue was that SRS estimated they will collect \$2.4 million more from state assumed counties in the 1995 biennium in state special revenues. SRS will not spend this money in the 1995 biennium and are proposing to roll it forward into the 1997 biennium and reduce the primary care general fund by \$2.4 million.

**Motion:** SEN. SWYSGOOD moved to roll the funds forward to the 1997 biennium.

**Discussion:** SEN. LYNCH asked to have more time to consider the issue and act on it at a later meeting.

**Motion Withdrawn:** SEN. SWYSGOOD withdrew the motion.

ADJOURNMENT

Adjournment: 11:46 a.m.



\_\_\_\_\_  
JOHN COBB, Chairman



\_\_\_\_\_  
PAULA CLAWSON, Recording Secretary

*for*

JC/pc

# HUMAN SERVICES AND AGING

## Joint Appropriations Subcommittee

ROLL CALL

DATE 2-16-95

NAME	PRESENT	ABSENT	EXCUSED
Rep. John Cobb, Chairman	✓		
Rep. Beverly Barnhart	✓		
Rep. Betty Lou Kasten	✓		
Sen. Chuck Swysgood, Vice Chairman	✓		
Sen. J.D. Lynch	✓		
Sen. Jim Burnett	✓		

*Law*

Remaining Executive Action - Department of Social and  
Rehabilitation Services

Budget Item/Program

LFA Budget Analysis

**LEGISLATIVE ACTION NEEDED**

*Eligibility Determination (Nonassumed County Field Staff)*

1. Personal services reduction (no motion) B 47

*Medical Assistance Division*

2. All present adjustments and new proposals B 60-73  
See Table A  
See Tables 3 and 4
3. Language Handout
4. Hospital "line-item" in language
5. Transfer of Benefit Authority

**DEPARTMENT ISSUES**

- A. Offset fiscal 1996 primary care general fund costs with \$2.4 million excess state special revenue collected in fiscal 1994 and 1995
- B. Algorithm payment methodology

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Table A  
Revised Primary Care Benefit and Related Operating Cost Increase

Benefit/Policy Option	Biennial Benefit Change		Biennial Operating Cost		Biennial Benefit Reductions	
	General Fund	Total Funds	General Fund	Total Funds	Over (Under) Operating Incr.	Total Funds
Primary Care Benefits	\$111,269,046	\$408,604,380				
<i>Present Law Adjustments</i>						
1 Transportation Managed Care Savings	(\$328,466)	(\$1,072,358)	\$244,346	\$488,692	(\$84,120)	(\$583,666)
2 Mental Health Managed Care*	(217,505)	(701,628)	0	0	(217,505)	(701,628)
3 HMO/Passport Savings	(1,012,427)	(3,290,442)	1,068,483	2,136,965	56,056	(1,153,477)
4 Utilization Review Contract Savings	(1,531,500)	(5,000,000)	62,710	250,836	(1,468,790)	(4,749,164)
Sub—Total Present Law Adjustments	<u>(\$3,089,898)</u>	<u>(\$10,064,428)</u>	<u>\$1,375,539</u>	<u>\$2,876,493</u>	<u>(\$1,714,359)</u>	<u>(\$7,187,935)</u>
Sub—Total Primary Care With Present Law Adjustments	<u>\$108,179,149</u>	<u>\$398,539,952</u>				
<i>New Proposals</i>						
2 Mental Health Managed Care*	(\$2,100,000)	(\$2,100,000)	\$68,994	\$137,990	(\$2,031,006)	(\$1,962,010)
5 Personal Health Telephone Info.*	(727,000)	(2,375,000)	643,200	1,286,400	(83,800)	(1,088,600)
6 Selective Contracts (Out—of—State Hosp)	(184,520)	(600,000)	74,686	149,372	(109,834)	(450,628)
7 Hospital/RTC Audits*	0	(582,708)	102,000	204,000	102,000	(378,708)
8 S/URS Open Cases Review	(49,008)	(160,000)	37,186	74,372	(11,822)	(85,628)
9 Dental Increase for Children's Services	545,256	1,779,188	0	0	545,256	1,779,188
10 Increase DRG Base (Hospital Rate Incr.)	1,164,329	3,787,414	75,000	150,000	1,239,329	3,937,414
11 Welfare Reform Savings**	83,969	271,779	0	0	83,969	271,779
12 Primary Care (Out Patient Hosp. Savings)	(458,330)	(1,495,024)	0	0	(458,330)	(1,495,024)
Sub—Total Present Law Adjustments	<u>(\$1,725,304)</u>	<u>(\$1,474,351)</u>	<u>\$1,001,066</u>	<u>\$2,002,134</u>	<u>(\$724,238)</u>	<u>\$527,783</u>
Total Executive Primary Care Request	<u>\$106,453,845</u>	<u>\$397,065,601</u>	<u>\$2,376,605</u>	<u>\$4,878,627</u>	<u>(\$2,438,597)</u>	<u>(\$6,660,152)</u>
Net Change	<u>(\$4,815,202)</u>	<u>(\$11,538,779)</u>	<u>\$2,376,605</u>	<u>\$4,878,627</u>		

Table 1  
 Summary Comparison of Original and Revised Primary Care Benefit Request

Primary Care Benefits/Operating Cost Adjts	Fiscal 1994			Fiscal 1996			Fiscal 1997		
	Base	Gen. Fund	SSR	Fed. Funds	Total	Gen. Fund	SSR	Fed. Funds	Total
<u>Original Primary Care Benefits Request*</u>	\$169,337,292	\$57,217,133	\$6,078,629	\$145,877,278	\$209,173,040	\$67,281,382	\$6,078,629	\$163,285,186	\$236,645,197
Total Present Law Adjustments		(1,418,356)	0	(3,268,075)	(4,687,231)	(1,859,996)	0	(4,139,990)	(5,999,986)
Total New Proposal Adjustments		(2,208,743)	0	(250,620)	(2,459,363)	(2,496,805)	0	(883,212)	(3,380,017)
Total Original Primary Care Benefits		\$53,590,034	\$6,078,629	\$142,357,783	\$202,026,446	\$62,924,581	\$6,078,629	\$158,261,984	\$227,265,194
<u>Revised Primary Care Benefits Request</u>		\$52,248,771	\$6,678,629	\$135,809,545	\$194,736,945	\$59,020,276	\$7,278,629	\$147,568,530	\$213,867,435
Total Present Law Adjustments		(1,229,900)	0	(2,034,542)	(4,064,442)	(1,859,996)	0	(4,139,990)	(5,999,986)
Total New Proposal Adjustments		(4,288)	0	(302,793)	(307,081)	(1,721,016)	0	553,746	(1,167,270)
Total Revised Primary Care Benefits		\$51,014,582	\$6,678,629	\$132,672,211	\$190,365,422	\$55,439,264	\$7,278,629	\$143,982,286	\$206,700,179
<u>Revised Request Over (Under) Original</u>		(\$2,575,452)	\$600,000	(\$9,685,572)	(\$11,661,024)	(\$7,485,317)	\$1,200,000	(\$14,279,698)	(\$20,565,015)
<u>Operating Cost Increases Related to Benefit Reductions</u>		\$1,241,507	\$0	\$1,304,216	\$2,545,723	\$1,135,097	\$0	\$1,197,807	\$2,332,904
<u>Net Change due to Operating Cost Increases and Benefit Reductions</u>		(\$1,333,945)	\$600,000	(\$8,381,356)	(\$9,115,301)	(\$6,350,220)	\$1,200,000	(\$13,081,892)	(\$18,232,111)
<u>Biennial Net Change</u>						(\$7,684,165)	\$1,800,000	(\$21,463,248)	(\$27,347,412)

Table 2  
Medicaid Primary Care Benefits

Primary Care Benefits/Operating Cost Adjts	Fiscal 1994		Fiscal 1996			Fiscal 1997			
	Base	Gen. Fund	SSR	Fed. Funds	Total	Gen. Fund	SSR	Fed. Funds	Total
<b>Original Primary Care Benefits Request*</b>	\$169,337,292	\$57,217,133	\$6,078,629	\$145,877,278	\$209,173,040	\$67,281,382	\$6,078,629	\$163,285,186	\$236,645,197
Annualized Increase Over Base					11.14%				11.80%
<b>Present Law Adjustments to Benefits</b>									
1 Transportation Managed Care Savings		(\$162,248)	\$0	(\$373,931)	(\$536,179)	(\$166,215)	\$0	(\$359,954)	(\$536,179)
2 Mental Health Managed Care*		(168,456)	0	(434,333)	(622,789)	(217,505)	0	(484,123)	(701,628)
3 HMO/Passport Savings		(311,152)	0	(717,111)	(1,028,263)	(701,275)	0	(1,560,904)	(2,262,179)
4 Utilization Review Contract Savings		(756,500)	0	(1,743,500)	(2,500,000)	(775,000)	0	(1,725,000)	(2,500,000)
Sub-Total Present Law Adjustments		(\$1,418,356)	\$0	(\$3,268,875)	(\$4,687,231)	(\$1,859,995)	\$0	(\$4,139,990)	(\$5,999,986)
<b>Original Present Law Primary Care Request</b>	\$169,337,292	\$55,798,777	\$6,078,629	\$142,608,403	\$204,485,809	\$65,421,386	\$6,078,629	\$159,145,196	\$230,645,211
<b>New Proposal Adjustments to Primary Care Benefits</b>									
2 Mental Health Managed Care*		(\$2,100,000)	\$0	\$0	(\$2,100,000)	(\$2,100,000)	\$0	\$0	(\$2,100,000)
5 Personal Health Telephone Info.		(378,250)	0	(871,750)	(1,250,000)	(348,750)	0	(776,250)	(1,125,000)
6 Selective Contracts (Out-of-State Hospitals)		(60,520)	0	(139,480)	(200,000)	(124,000)	0	(276,000)	(400,000)
7 Hospital/RTC Audits*		(127,092)	0	(292,908)	(420,000)	(130,200)	0	(289,800)	(420,000)
8 S/URS Open Cases Review		(24,208)	0	(55,792)	(80,000)	(24,800)	0	(55,200)	(80,000)
9 Dental Increase for Children's Services		257,304	0	593,006	850,310	287,952	0	640,926	928,878
10 Increase DRG Base (Hospital Rate Increase)		399,497	0	920,717	1,320,214	764,832	0	1,702,368	2,467,200
11 Welfare Reform Savings**		(175,474)	0	(404,413)	(579,887)	(821,839)	0	(1,829,256)	(2,651,095)
Sub-Total New Proposal Adjustments to Benefits		(\$2,208,743)	\$0	(\$250,620)	(\$2,459,363)	(\$2,496,805)	\$0	(\$883,212)	(\$3,380,017)
<b>Total Original Primary Care Request</b>	\$169,337,292	\$53,590,034	\$6,078,629	\$142,357,783	\$202,026,446	\$62,924,581	\$6,078,629	\$158,261,984	\$227,265,194
Annualized Increase Over Base					9.23%				10.30%
<b>Revised Primary Care Benefits Request</b>	\$169,337,292	\$52,248,771	\$6,078,629	\$135,809,545	\$194,736,945	\$59,020,276	\$7,278,629	\$147,568,530	\$213,867,435
<b>Present Law Adjustments to Benefits</b>									
1 Transportation Managed Care Savings		(\$162,248)	\$0	(\$373,931)	(\$536,179)	(\$166,215)	\$0	(\$359,954)	(\$536,179)
2 Mental Health Managed Care*		0	0	0	0	(217,505)	0	(484,123)	(701,628)
3 HMO/Passport Savings		(311,152)	0	(717,111)	(1,028,263)	(701,275)	0	(1,560,904)	(2,262,179)
4 Utilization Review Contract Savings		(756,500)	0	(1,743,500)	(2,500,000)	(775,000)	0	(1,725,000)	(2,500,000)
Sub-Total Present Law Adjustments		(\$1,229,900)	\$0	(\$2,834,542)	(\$4,064,442)	(\$1,859,995)	\$0	(\$4,139,990)	(\$5,999,986)
<b>Revised Primary Care Present Law Request</b>	\$169,337,292	\$51,018,870	\$6,078,629	\$132,975,004	\$190,672,503	\$57,160,280	\$7,278,629	\$143,428,540	\$207,867,449
Annualized Increase Over Base					6.11%				7.07%
<b>New Proposal Adjustments</b>									
2 Mental Health Managed Care*		\$0	\$0	\$0	\$0	(\$2,100,000)	\$0	\$0	(\$2,100,000)
5 Personal Health Telephone Info.*		(378,250)	0	(871,750)	(1,250,000)	(348,750)	0	(776,250)	(1,125,000)
6 Selective Contracts (Out-of-State Hospitals)		(60,520)	0	(139,480)	(200,000)	(124,000)	0	(276,000)	(400,000)
7 Hospital/RTC Audits*		0	0	(292,908)	(292,908)	0	0	(289,800)	(289,800)
8 S/URS Open Cases Review		(24,208)	0	(55,792)	(80,000)	(24,800)	0	(55,200)	(80,000)
9 Dental Increase for Children's Services		257,304	0	593,006	850,310	287,952	0	640,926	928,878
10 Increase DRG Base (Hospital Rate Increase)		399,497	0	920,717	1,320,214	764,832	0	1,702,368	2,467,200
11 Welfare Reform Savings**		11,550	0	26,619	38,169	72,419	0	161,191	233,610
12 Primary Care (Out Patient Hosp. Savings)		(209,651)	0	(483,205)	(692,855)	(248,659)	0	(553,489)	(802,158)
Sub-Total New Proposal Changes		(\$4,288)	\$0	(\$302,793)	(\$307,051)	(\$1,721,916)	\$0	(\$553,746)	(\$1,167,270)
<b>Revised Total Primary Care Request</b>	\$169,337,292	\$51,014,582	\$6,078,629	\$132,672,211	\$190,365,422	\$55,439,264	\$7,278,629	\$143,982,286	\$206,700,179
<b>Revised Primary Care Over (Under) Original</b>		(\$2,575,452)	\$600,000	(\$9,685,572)	(\$11,661,024)	(\$7,485,317)	\$1,200,000	(\$14,279,698)	(\$20,565,015)
<b>Operating Cost Increases to Implement Benefit Request</b>									
<b>Operating Costs that Reduce Benefits</b>									
<b>Present Law Adjustments</b>									
1 Transportation Managed Care Savings	\$0	\$122,173	\$0	\$122,173	\$244,346	\$122,173	\$0	\$122,173	\$244,346
2 Mental Health Managed Care	173,808	0	0	0	0	0	0	0	0
3 HMO/Passport Savings	141,159	512,795	0	512,795	1,025,592	555,667	0	555,667	1,111,373
4 Utilization Review Contract Savings	51,235	31,355	0	94,064	125,418	31,355	0	94,064	125,418
<b>New Proposals</b>									
2 Mental Health & HMO Managed Care	0	36,497	0	36,498	72,995	32,497	0	32,498	64,995
5 Personal Health Telephone Info.	0	336,000	0	336,000	672,000	307,200	0	307,200	614,400
6 Selective Contracts (Out-of-State Hosp.)	0	57,093	0	57,093	114,186	17,593	0	17,593	35,185
7 Hospital/RTC Audits	0	51,000	0	51,000	102,000	51,000	0	51,000	102,000
8 Review S/URS Open Cases	0	19,593	0	19,593	39,186	17,593	0	17,593	35,185
<b>Total Operating Cost Increases for Savings</b>	\$365,202	\$1,165,507	\$0	\$1,229,216	\$2,395,723	\$1,135,097	\$0	\$1,197,807	\$2,332,904
<b>New Proposals (Operating Costs) Related to Benefit Increases</b>									
10 Rebase DRG System		\$75,000	\$0	\$75,000	\$150,000	\$0	\$0	\$0	\$0

**NOTES:**

\* These items have changed in SRS revised primary care request.

\*\* Subcommittee has already taken action on this item.

1. Primary care benefits do not include residential youth psychiatric care, targeted case management for the mentally ill, or medicaid eligible education costs.

2. The new proposal to implement liens and estate recoveries is included in nursing home benefits. The executive is requesting contracted services of \$280,000 over the biennium and anticipated savings of \$1.2 million. The executive estimates net general fund savings of \$227,560 over the biennium.

3. Selective contracting with out-of-state hospitals also includes 1.0 FTE as well as contracted services of \$75,000 in FY96.

Table 3  
Other Medicaid Benefit Adjustments Requested by Executive

Benefit/Expenditure	Fiscal 1994			Fiscal 1996			Fiscal 1997			Biennial Gen. Fund
	Base	Gen. Fund	SSR	SSR	Gen. Fund	Total	SSR	Gen. Fund	Total	
<b>7c Indian Health</b>	\$2,860,780									
Original Request		\$0	\$0	\$8,000,000	\$8,000,000	\$8,000,000	\$0	\$8,000,000	\$8,000,000	\$928,719
Revised Request		427,243	0	10,984,664	11,411,907	11,116,189	0	11,116,189	11,617,665	
Difference		<u>\$427,243</u>	<u>\$0</u>	<u>\$2,984,664</u>	<u>\$3,411,907</u>	<u>\$3,116,189</u>	<u>\$0</u>	<u>\$3,116,189</u>	<u>\$3,617,665</u>	
Increase Over Original Request				42.65%	42.65%	45.22%				
<b>7f Elderly Waiver</b>	\$2,237,127									
Original Request		\$1,028,374	\$0	\$2,370,086	\$3,398,460	\$2,379,520	\$1,069,059	\$2,379,520	\$3,448,579	\$257,905
Revised Request		1,164,126	0	2,682,952	3,847,078	2,651,409	1,191,213	2,651,409	3,842,622	
Difference		<u>\$135,752</u>	<u>\$0</u>	<u>\$312,866</u>	<u>\$448,618</u>	<u>\$271,890</u>	<u>\$122,153</u>	<u>\$271,890</u>	<u>\$394,043</u>	
Increase Over Original Request				13.20%	13.20%	11.43%				
<b>7g Disabled Waiver</b>	\$2,274,564									
Original Request		\$1,157,164	\$0	\$2,666,909	\$3,824,073	\$2,683,388	\$1,205,580	\$2,683,388	\$3,888,968	\$290,506
Revised Request		1,309,918	0	3,018,957	4,328,875	2,989,998	1,343,333	2,989,998	4,333,331	
Difference		<u>\$152,753</u>	<u>\$0</u>	<u>\$352,049</u>	<u>\$504,802</u>	<u>\$306,610</u>	<u>\$137,753</u>	<u>\$306,610</u>	<u>\$444,363</u>	
Increase Over Original Request				13.20%	13.20%	11.43%				
<b>7h Medicare Buy-In</b>	\$6,084,275									
Original Request		\$2,209,322	\$0	\$5,091,808	\$7,301,130	\$6,045,336	\$2,716,020	\$6,045,336	\$8,761,356	\$521,495
Revised Request		2,356,610	0	5,431,262	7,787,872	6,878,248	3,090,228	6,878,248	9,968,476	
Difference		<u>\$147,288</u>	<u>\$0</u>	<u>\$339,454</u>	<u>\$486,742</u>	<u>\$832,913</u>	<u>\$374,207</u>	<u>\$832,913</u>	<u>\$1,207,120</u>	
Increase Over Original Request				6.67%	6.67%	13.78%				
<b>7j State Institutions</b>	\$13,128,453									
Original Request		\$0	\$0	\$11,005,998	\$11,005,998	\$10,991,872	\$0	\$10,991,872	\$10,991,872	\$0
Revised Request		0	0	14,065,475	14,065,475	14,507,432	0	14,507,432	14,507,432	
Difference		<u>\$0</u>	<u>\$0</u>	<u>\$3,059,477</u>	<u>\$3,059,477</u>	<u>\$3,515,560</u>	<u>\$0</u>	<u>\$3,515,560</u>	<u>\$3,515,560</u>	
Increase Over Original Request				27.80%	27.80%	31.98%				
<b>Baby Your Baby (Admin)</b>	\$267,560									
Original Request		\$0	\$100,000	\$100,000	\$200,000	\$100,000	\$0	\$100,000	\$200,000	\$0
Revised Request		0	150,000	150,000	300,000	150,000	0	150,000	300,000	
Difference		<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>	<u>\$100,000</u>	<u>\$50,000</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$100,000</u>	
Increase Over Original Request				50.00%	50.00%	50.00%				
<b>Total</b>		<u>\$26,652,759</u>								
Original Request		\$4,394,860	\$100,000	\$29,234,801	\$33,729,661	\$30,200,115	\$4,990,660	\$30,200,115	\$35,290,775	\$1,998,625
Revised Request		5,257,897	150,000	36,333,310	41,741,207	38,293,277	6,126,249	38,293,277	44,569,526	
Difference		<u>\$863,036</u>	<u>\$50,000</u>	<u>\$7,098,510</u>	<u>\$8,011,546</u>	<u>\$8,093,162</u>	<u>\$1,135,589</u>	<u>\$8,093,162</u>	<u>\$9,278,751</u>	
Percent Increase from Base				23.75%	23.75%	26.29%				
				55.44%	55.44%	65.98%				

Table 4  
Nursing Home Benefits

Cost/Funding	Fiscal 1994			Fiscal 1996			Fiscal 1997			Total
	Base	Gen. Fund	SSR	SSR	Fed. Funds	Total	Gen. Fund	SSR	Fed. Funds	
Original Executive Present Law Request	\$85,219,434	\$22,427,101	\$7,326,214	\$68,572,248	\$98,325,563	\$24,840,399	\$7,487,172	\$71,954,915	\$104,282,486	
Less Double Count of Rate Increase		(689,332)	(715,035)	(3,236,637)	(4,641,004)	(1,867,263)	(822,132)	(5,986,071)	(8,675,466)	
Corrected Present Law Base		\$21,737,769	\$6,611,179	\$65,335,611	\$93,684,559	\$22,973,136	\$6,665,040	\$65,968,844	\$95,607,020	
<i>New Proposals</i>										
<b>Rate Increase</b>										
Original Executive Request		\$0	\$1,404,368	\$3,236,636	\$4,641,004	\$0	\$2,689,394	\$5,986,072	\$8,675,466	
Revised Executive Request		1,404,368	0	3,236,636	4,641,004	2,689,394	0	5,986,072	8,675,466	
Revised Request Over (Under) Original		\$1,404,368	(\$1,404,368)	\$0	\$0	\$2,689,394	(\$2,689,394)	\$0	\$0	
<b>Net Impact of Present Law and Revised Rate Increase</b>		\$715,036	(\$2,119,403)	(\$3,236,637)	(\$4,641,004)	\$822,131	(\$3,511,526)	(\$5,986,071)	(\$8,675,466)	
<b>Liens &amp; Estate Recoveries</b>										
Benefit Reductions		(\$181,560)	\$0	(\$418,440)	(\$600,000)	(\$186,000)	\$0	(\$414,000)	(\$600,000)	
Operating Cost Increases		95,000	\$0	95,000	190,000	45,000	\$0	45,000	90,000	
Net Change due to Estate & Liens Recovery		(\$86,560)	\$0	(\$323,440)	(\$410,000)	(\$141,000)	\$0	(\$369,000)	(\$510,000)	

Attachment 1 - Language for Department of Social and  
Rehabilitation Services

Program/Language

**Program 01 Family Assistance Program**

1. "The AFDC payment level for the 1997 biennium must be established at no less than 40.5% of the federal poverty index."
2. "The department shall require that JOBS participants be tracked up to 1 year after their termination with the JOBS program as a condition of letting JOBS contracts with the department of labor and industry. Exemptions from this requirement include JOBS participants who are no longer Montana residents or JOBS participants who cannot be reached despite good faith efforts on the part of the department of labor and industry. The department shall report to the 55th legislature regarding the employment and earning status of former JOBS participants served by the department of labor and industry during the 1997 biennium."
3. "Funds in item [JOBS funds] must be used for a teen parent program."

**Program 05 Child Support Enforcement**

4. The subcommittee directed staff to work on language regarding the transfer of child support enforcement revenue to the general fund. The following language was included in HB 2 by the 1993 legislature.

"The state share of AFDC-related support collections and all AFDC and non-AFDC federal incentive payments and program-collected fees must be deposited in the state special revenue account from which the state share of the administrative and operational costs of the child support enforcement program must be paid. The department shall transfer to the general fund from the child support enforcement account any cash balance in excess of \$500,000."

The department suggested that the subcommittee could also consider the following language for the welfare reform new proposal.

"The department may reduce general fund money in item [welfare reform] and increase child support enforcement state special revenue funds by a like amount."

The subcommittee could consider modifying language to require the reversion of \$11,746 in fiscal year 1996 and \$595,309 in fiscal year 1997 due to welfare reform efforts.

**Program 06 State Assumed County Administration**

5. "The department is appropriated funds for a pilot project in Deer Lodge County. The pilot project may include work, job training, subsistence payments, and preventive health programs for low-income people. The use of appropriated funds in item [county pilot project] is contingent on Deer

(2) the percentage increase or base adjustments approved by the department are limited to the dollar amount appropriated for each provider rate increase."

11. "The department shall implement 53-6-101(10) if medicaid expenditures exceed appropriations in [this act] in either year of the biennium."
12. "The department may pursue funding of any existing eligible state general-funded services under the federal ICF/MR program if the federal government fails to approve adequate medicaid waiver funding under the home- and community-based waiver program."
13. "If the department considers contracting for operation of the TEAMS or SEARCHS computer applications on a privately owned and operated mainframe or midrange computer *or if the department plans to purchase a midrange computer for the operation of these systems*, the department shall submit to the office of budget and program planning and to the legislative finance committee a comparison of the cost of operating the system on the state mainframe computer managed by the department of administration *or on a midrange computer owned by the department*. The department of administration shall estimate rate changes that would occur because of removal of TEAMS or SEARCHS from the state mainframe. If the office of budget and program planning determines that statewide cost savings are greater than the private contract cost savings *or savings because of the purchase of a departmental midrange computer*, the department shall operate TEAMS or SEARCHS on the state mainframe computer if continued operation of TEAMS or SEARCHS on the state mainframe does not conflict with federal regulations."

Italics represent wording changes that the subcommittee may wish to consider.

Language Proposed for DFS on 2/15/95

14. "Funds in item [crisis nursery project] may not be included in the base budget for the 1999 biennium."
15. "Funds in item [Pine Hills maintenance] may not be used for any purpose other than maintenance and repair of Pine Hills school. The department must obtain the approval of the engineering and architecture division of the department of administration before proceeding with repairs funded from item [Pine Hills maintenance]."
16. "The department must prepare a report for the 55th legislature on the activities and accomplishments of the local citizen review of foster care placements funding in item [local citizen review of foster care placements]."