

MINUTES OF THE MEETING
HUMAN SERVICES SUBCOMMITTEE
MONTANA STATE
HOUSE OF REPRESENTATIVES

January 9, 1985

Begin Tape 2, Side A

The meeting of the Human Services Subcommittee was called to order by Chairman Cal Winslow on January 9, 1985 at 8:10 a.m. in Room 108 of the State Capitol building.

ROLL CALL: All members were present.

GENERAL: Chairman Winslow opened the meeting by explaining there will be discussion of the two SRS and one Department of Labor Supplemental Appropriation Requests.

DEPARTMENT OF LABOR

Chairman Winslow introduced Mr. Gary Blewett, Administrator of the Workmen's Compensation Division, to give his presentation. His supplemental is based on the Silicosis Program. He gave to every committee member a chart showing the number of people and widows on the program (EXHIBIT 1). Mr. Blewett pointed out that a maximum of \$200 is received by silicotics and \$100 by widows of silicotics. There has been a decline since 1977 due to:

- 1) An Occupational Disease Act that can cover silicotics;
- 2) The number of work settings that silicosis can be contracted has been reduced.

However, in FY85 there has been an increase over the projected level of 175 recipients. Due to having 195 recipients, a supplemental of \$49,700 is required to meet obligations in FY85.

SRS

Chairman Winslow introduced Mr. Dave Lewis who in turn introduced Mr. Lee Tickell, Economic Assistance Division, to review the SRS requests. Mr. Tickell passed out his handout (EXHIBIT 2) and highlighted the various charts pertaining to State General Assistance. The total supplemental request is for \$2,480,355 and the funding source is 100 percent general fund.

In discussing the request, Mr. Tickell explains the court case filed by the Montana Legal Services Division on behalf of the Butte Community Union (EXHIBIT 3). Involved in that case were three issues:

- 1) GA payments were too low;
- 2) Whether the AFDC limits were constitutional;
- 3) State Medical payments that were limited to alleviation of pain and suffering was not constitutional, therefore had to increase the State Medical program.

HUMAN SERVICES SUBCOMMITTEE

January 9, 1985

Page Two

The current status in that court case is there has been a permanent restraining order put on developing any rules to allow maintaining the status quo in those counties before state assumption.

(2:A:290) Lula Martinez spoke on GA and how humiliating and embarrassing it is to be on it. She said people need help on budgeting, and noted how the benefits went from \$107 to \$212 and back to \$107. She expressed her difficulty in attempting to make it on \$212.

Tom Rowe, from the Butte Community Union, testified that he received \$199 per month for a family of three for the first six months of receiving GA; since then he said he has learned to apply for other benefits and is now receiving about \$300 per month. This is due to spending over 85 hours learning what is available and how to make requests.

Dale Strosheim, from Concerned Citizens Coalition in Great Falls, talked about people on GA wanting to live decently.

Jack Ellery, Administrator of the Economic Assistance Division of SRS, spoke on the Supplemental Request for the Montana Medicaid Management Information System (MMIS) and gave to everyone a status report to all committee members (EXHIBIT 4). Mr. Ellery made these requests:

- 1) His department wanted to own the MMIS;
- 2) Wanted it to be operated on the fiscal agent's computer system for three years;
- 3) Wanted the option to transfer the system after that time to the state's computer.

Mr. Ellery explained the three bids on page 3 of Exhibit 4. Even though they are asking 1.1 million, 90 percent of these funds are federal and 10 percent are state general fund.

Chairman Winslow expressed concern over the lack of education on what is available to welfare recipients and was informed applicants do have to be informed on what is available. He also asked how many counties are being impacted by the GA Supplemental and was told that all 12 counties would be to varying degrees with Butte-Silver Bow being the lowest with \$107.50 for a single individual, but has had an increase to \$180-190.

END OF TAPE 2, SIDE A

(2:B:042) Chairman Winslow called for a five minute recess.

Yvonne Sylva read from her presentation of the Management Services Division of DHES (EXHIBIT 5). In her presentation, DHES requests that funding for the Inborn Errors of Metabolism Program be moved from the Clinical Programs Bureau to Management Services Division.

EXECUTIVE ACTION

(2:B:351) Representative Dennis Rehberg made a MOTION to accept The Department of Labor and Industry Silicosis Benefits Supplemental of \$49,700.

The motion WAS passed unanimously.

Discussion followed on the upper limits concerning the Montana Legal Services Division case.

Representative Rehberg made a MOTION to accept the SRS General Assistance and State Medical Supplemental of \$2,480,355.

The motion WAS passed unanimously.

Discussion followed concerning the wording in the bill (EXHIBIT 6) authorizing the use of all remaining contingency fund monies.

END OF TAPE 2, SIDE B

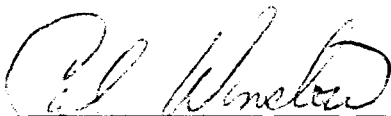
Representative Rehberg made a MOTION to delete the language in the proposed bill authorizing SRS access to the contingency fund for any purpose other than those specified in HB 477.

The motion WAS passed unanimously.

Representative Rehberg moved to accept the SRS MMIS Procurement Costs Supplemental of \$113,860 from general funding and \$1,024,740 from federal & other special revenue.

The motion was PASSED unanimously.

The meeting adjourned at 9:50 a.m.



CAL WINSLOW, Chairman

DAILY ROLL CALL

Human Services Subcommittee

49th LEGISLATIVE SESSION -- 1985

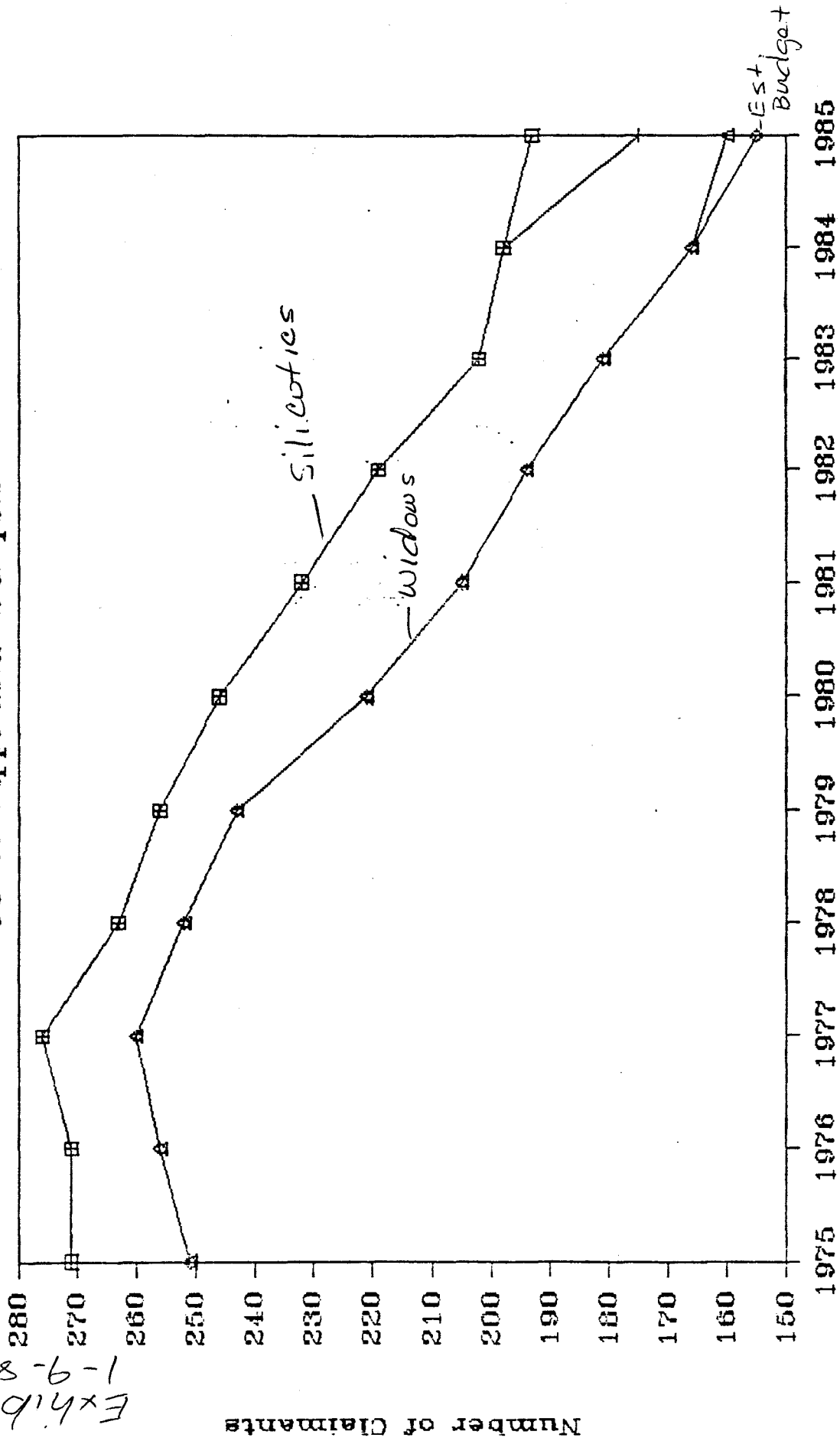
Date 1-9-85

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SILICOSIS PROGRAM

FY '85 Supplemental Request

Exhibit 1
1-9-85

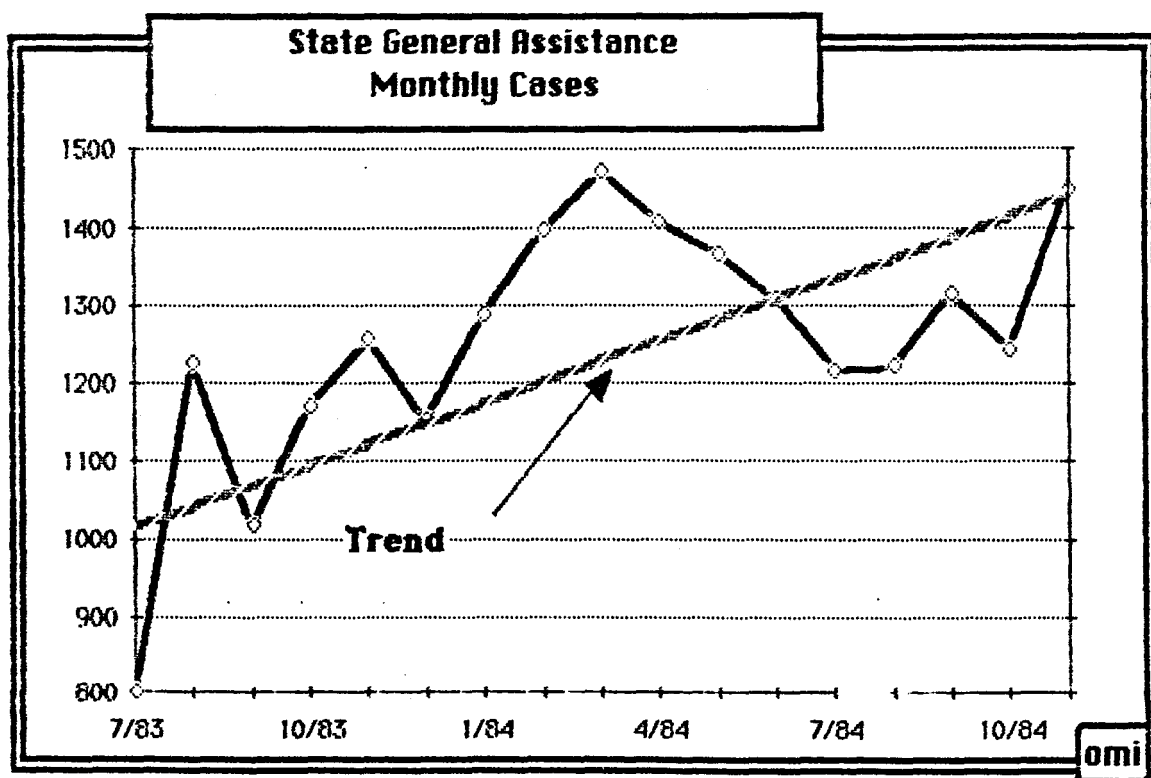


DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES
Supplemental Appropriation Request

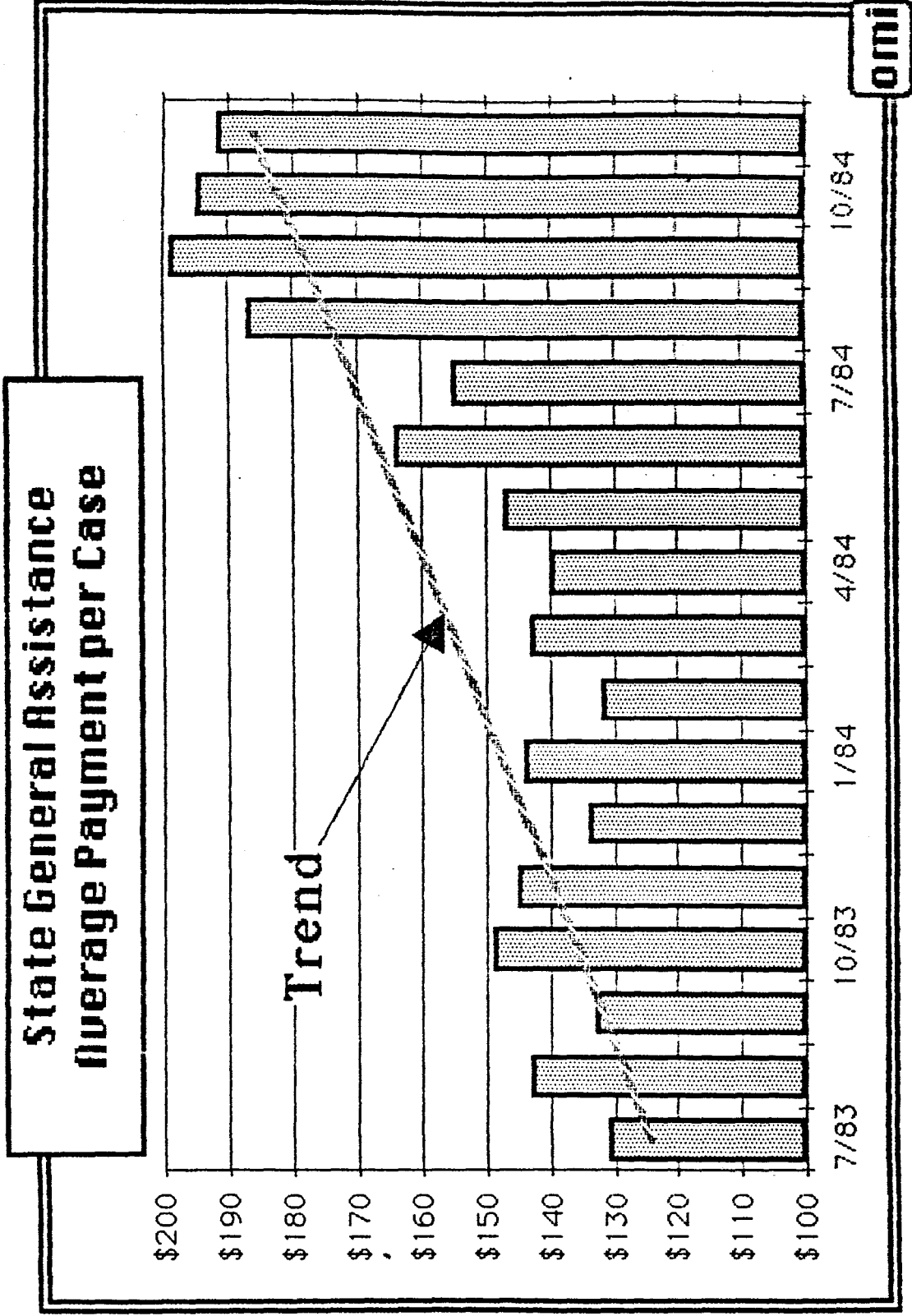
Exhibit 2
1-9-85

<u>Item (before contingency fund)</u>	<u>General Fund</u>	<u>Total Funds</u>
Medicaid - Other & Nursing Homes	\$ (2,758,267)	\$ (7,560,064)
Medicaid - Department of Institutions	(334,680)	(921,731)
Medicaid - Buy-In	(127,265)	(137,721)
AFDC	(975,525)	(784,667)
Training Day Care	14,926	41,940
Training	-0-	26,580
Community Services Block Grant	-0-	(103,270)
State General Assistance	(1,373,652)	(1,373,652)
State Medical	(1,106,703)	(1,106,703)
Subtotal	<u>\$ (6,661,166)</u>	<u>\$(11,919,288)</u>
Contingency Fund	<u>4,138,455</u>	<u>4,632,757</u>
Supplemental Request	<u>(2,522,711)</u>	<u>(7,286,531)</u>

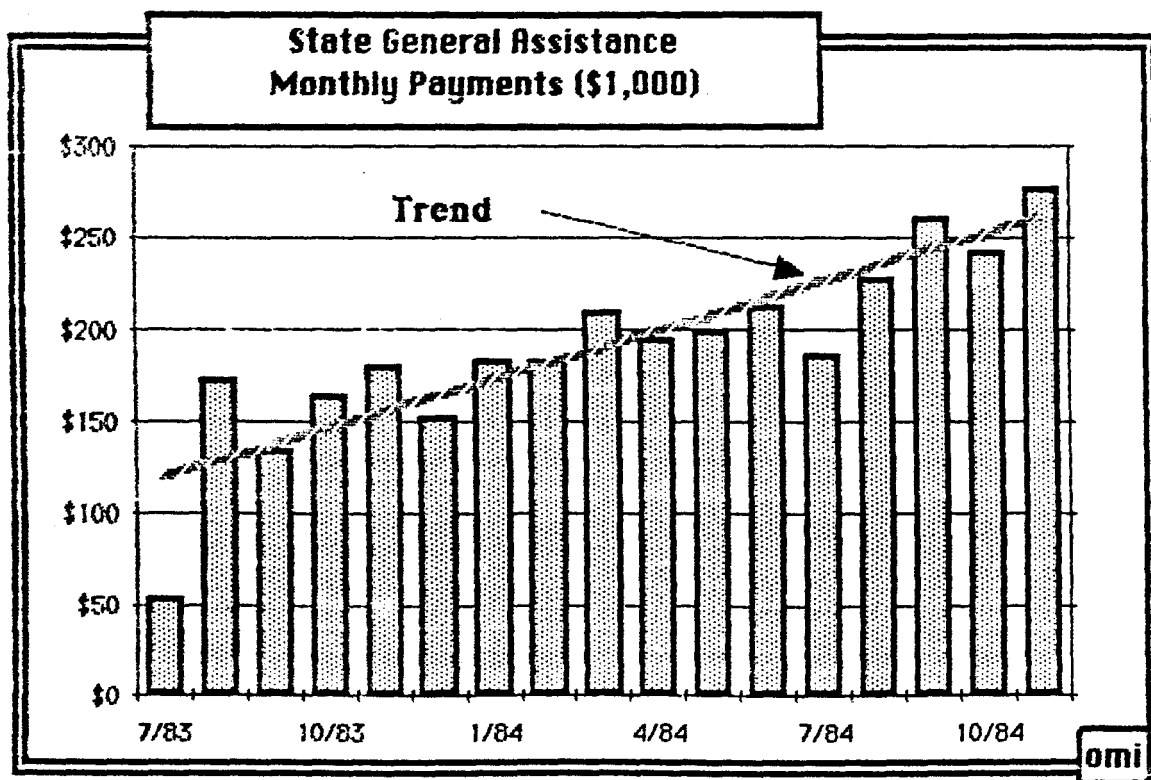
MONTANA DEPARTMENT OF SOCIAL REHABILITATION SERVICES



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MONTANA DEPARTMENT OF SOCIAL REHABILITATION SERVICES



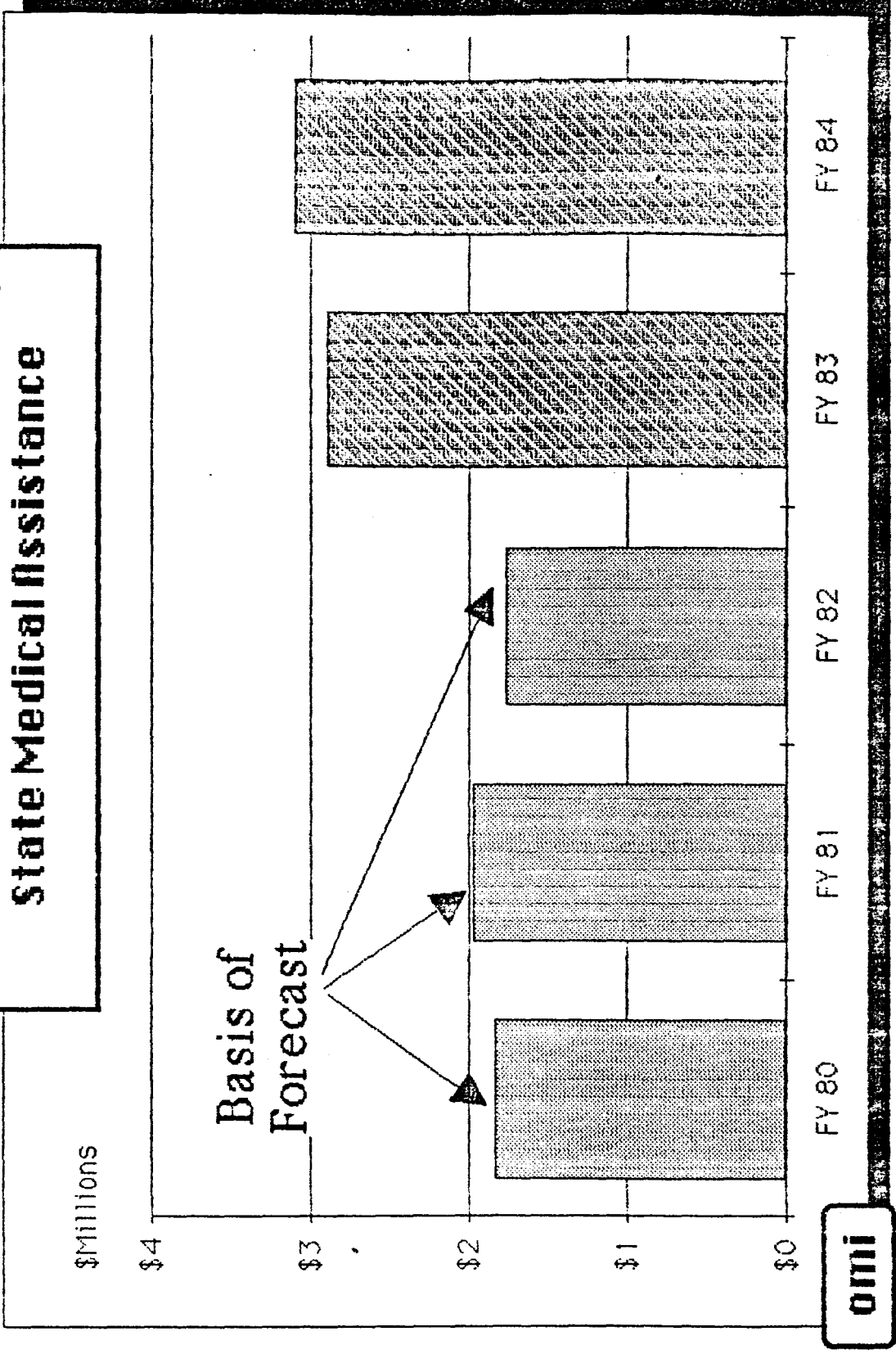


Exhibit 3

7-9-85

IN THE DISTRICT COURT OF THE FIRST JUDICIAL DISTRICT
OF THE STATE OF MONTANA
IN AND FOR THE COUNTY OF LEWIS AND CLARK

BUTTE COMMUNITY UNION, PHILIP
GRANBY, LINDA LUCAS, BARBARA
CATRON, DALE AND CHERYL
FLEISCHACKER, ARLENE BUCCHI,
SAMUEL LOCKEY, GERALD CRAIG, DAN
RUBICH, THE REVEREND JOE
WARREN, STEPHEN JELINEK, DON
AND KIM SHEPHERD, JAMES
SIMPSON, JRS., PAM PEDERSON,
ELMER RODRIQUES, JANE AND TOM
JOHNSON, RUDY RODRIGUEZ, JR.,
ROBERT JAMES, MICHAEL PEET,
JON OLSON, AL REED, JEWEL
MACUMBER, ANISETO HERNANDEZ,
RAY LaCOMBE, JOHN D. LONG,
BOBBY SEXTON, MICHAEL COX and
DAVE STANDISH, for themselves
and those similarly situated,

NO. 50268

Plaintiffs,

vs.

JOHN LaFAVER, Director of the
Montana State Department of
Social and Rehabilitation
Services,

Defendants.

FINDINGS OF FACT, CONCLUSIONS OF LAW AND
RESTRAINING ORDER

This matter having come before the Court on June 13, 14,
and 18, 1984 to hear Plaintiffs' Motion dated June 6, 1984,
both parties appearing with counsel, and the Court having heard
the testimony presented by both parties, the Court hereby makes
the following:

FINDINGS OF FACT

I.

Defendant has published rules and amendment of rules

Tom Rowe

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II.

The effect of the proposed rules will be to reduce SGA below the benefit levels which are presently allowed under the current rules, Section 46.25.702 et. seq., A.R.M.

III.

In support of the proposed rules, Defendant has offered Defendant's Exhibits A, B, C, and D and the testimony of Lee Tickell; however, those exhibits and testimony do not support the Defendant's contention that the proposed or current SGA benefit levels are based on non-arbitrary needs studies because:

(a) The exhibits and testimony were not based on systematic, independent analysis;

(b) The exhibits and testimony were not based on reliable or valid standards related to the development of a need standard in each of the five categories of need in the SGA program;

(c) The exhibits and testimony did not contain an adequate informational or methodological basis compared to standard work for this type of analysis;

(e) The exhibits and testimony were not based on hard data with known properties and certainties of measurement;

(f) The exhibits and testimony did not indicate that a methodology, necessary for systematic updating of standards based on current, independent data and price levels, was used;

(g) The exhibits and testimony did not use methods for development of payment levels that have been documented to allow for independent evaluation; therefore, they failed to meet acceptable or any standards whatsoever for review and systematic cross-checking.

IV.

1 Section 46.25. 712(1)(a), M.A.R. Notice No. 46-2-406.

2 V.

3 The presumption that Low Income Energy Assistance (LIEAP)
4 meets winter heating costs, relied upon by the proposed regul-
5 lations (Section 46.25.712(1)(b)(ii), M.A.R. Notice No. 46-2-406)
6 results in proposed benefit levels that are insufficient to meet
7 need because in many cases LIEAP does not provide sufficient
8 benefits to pay winter heating costs.

9 VI,

10 The presumption that food stamps meet food need, relied
11 upon by the proposed regulation (Section 46.25.712(1)(f), M.A.R.
12 Notice No. 46-2-406), makes the benefit levels inadequate to
13 meet food need because food stamps do not meet minimum nutri-
14 tional requirements.

15 VII. .

16 Present food stamp allotments are insufficient to meet:

- 17 (a) caloric needs of most males;
18 (b) caloric needs of most workfare participants;
19 (c) minimum nutritional requirements.

20 VIII.

21 The Thrifty Food Plan fails to meet nutritional needs
22 because:

- 23 (a) It was developed without regard to many relevant
24 nutritional factors, including American cultural food con-
25 sumption patterns;
26 (b) Suggested foods to be purchased are nutritionally
27 unbalanced;
28 (c) Suggested menus contain large amounts of foods
29 suspected to be health risks.

1 insufficient for the following reasons:

2 (a) The amount allowable was based on present expenditure
3 levels for personal needs without regard to the actual cost of
4 items required to meet those needs;

5 (b) The actual cost of personal needs is higher than the
6 amount allowed by the proposed rules;

7 (c) No scientific study was conducted to determine the
8 cost of personal items and what personal items should be
9 provided.

10 X.

11 The amount of SGA allowed to meet transportation needs
12 (Section 46.25.712(1)(d) and (g), M.A.R. Notice No. 46-2-406)
13 is insufficient to meet the cost of transportation because:

14 (a) The amount allowable was based on present expenditure
15 levels without regard to the actual cost of transportation
16 required to meet transportation needs;

17 (b) The actual cost of transportation needs is higher
18 than the amount allowed by the proposed rules;

19 (c) No scientific study was conducted to determine the
20 cost of transportation and what transportation needs should
21 be provided.

22 XI.

23 To the extent economic recovery has reached Montana, it
24 has not reduced either the number of people applying for
25 assistance or the amount of assistance required to meet living
26 needs.

27 XII.

28 Requests for assistance to the Butte Food Bank, the Butte
29 Rescue Mission, The Friendship Center of Helena, God's Love, Inc

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XIII.

Child abuse and neglect is caused in part by economic stress, people having insufficient income to meet their basic living needs.

XIV.

Unless this Court restrains Defendant from implementing said proposed rules, Defendant will implement those rules, and thereby further deprive plaintiff class of its basic living needs and cause irreparable harm to the class.

XV.

Defendant admitted in testimony that all of the enumerated unwritten rules set forth in Plaintiffs' Motion dated June 16, 1984, para. 3, (a) through (t), have been in effect, and may still be in effect, in various counties in which SGA is administered by Defendant.

XVI.

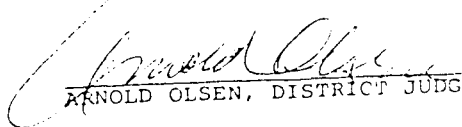
Unless Defendant is restrained by this Court from following any unwritten rules, including but not limited to those enumerated unwritten rules contained in Plaintiffs' Motion dated June 6, 1984, Defendant will continue to follow unwritten rules in the administration of SGA, and thereby further deprive plaintiff class of its basic living needs and cause irreparable harm to the class.

CONCLUSIONS OF LAW

I.

Defendant's proposed rules are unlawful because they do not provide benefits sufficient to meet living needs as required by the Montana Constitution, Art. XII Section 3(3) and Montana

DATED this 29th day of June, 1984.


ARNOLD OLSEN, DISTRICT JUDGE

1 II.

2 Plaintiff class is entitled to a preliminary injunction
3 restraining Defendant, and the Defendant is therefore restrained
4 and enjoined until further order from implementing SRS proposed
5 rules dated May 17, 1984, M.A.R. Notice No. 46-2-406, or any
6 other rules which reduce SGA benefits below what the existing
7 rules allow, to prevent plaintiff class from suffering
8 irreparable harm.

9 III.

10 Unwritten rules are illegal and without effect.

11 IV.

12 The unwritten rules enumerated in Plaintiffs' Motion
13 dated June 6, 1984, para. 3, (a) through (t), are unlawful as
14 having no legal basis under the current SGA rules.

15 V.

16 By following any unwritten rule, including but not limited
17 to those enumerated unwritten rules, Defendant is acting unlawfully
18 by depriving plaintiff class of its rights to living needs as
19 required by Montana Constitution, Art. XII Section 3(3) and
20 Montana Law, Section 53-3-204, M.C.A.

21 VI.

22 Plaintiff class is entitled to a preliminary injunction
23 restraining Defendant from administering SGA based on any
24 unwritten rules, including but not limited to those enumerated
25 unwritten rules, in order to prevent plaintiff class from
26 suffering irreparable harm.

27 Plaintiff is enjoined and restrained from administering
28 State General Assistance based on S.R.S. proposed rules dated
29 May 17, 1984, M.A.R. Notice No. 46-2-406 or on any unwritten

DEPARTMENT OF
SOCIAL AND REHABILITATION SERVICES

Exhibit 4
1-9-85



TED SCHWINDEN, GOVERNOR

P.O. BOX 4210

STATE OF MONTANA

HELENA, MONTANA 59604

December 17, 1984

TO: Dave Lewis
Director

FROM: Jack D. Ellery, Administrator
Economic Assistance Division *JDE*

RE: Supplemental Appropriation for the Completion of the MMIS

On September 15, 1984, the department presented the status of our recent MMIS procurement to the Finance Committee. (See attached.) In our analysis of the procurement, we notified them of the department's need to seek a supplemental appropriation for FY85 of \$1,000,000 and a modified request in FY86 of \$1,100,000. Since last September, we have incurred additional requirements which will increase the supplemental needed for FY85.

The following identifies our current requirement:

Bid Price to install System	\$ 3,098,600
- Less	
FY84-85 appropriation	1,000,000
FY86 modified request	<u>1,200,000</u>
	898,600
+ Plus	
Project leader Contract (FitzGerald)	60,000
Compass Consulting Contract for	
Acceptance Testing	80,000
Hancock/Dikewood Services	
Conversion Assistance	50,000
Out of Scope Requirements not	
addressed in RFP	<u>50,000</u>
Supplemental needed in FY85	\$ 1,138,600

As a result, it will be necessary to request an additional \$1,138,600 in spending authority to cover our anticipated expenses. The FFP rate on all these funds will be 90%.

JDE/073
Attachment
cc Ben Johns
Dave Thorsen

Status
of the
Montana Medicaid Management Information System (MMIS)
Procurement Effort

Department of Social and Rehabilitation Services
Economic Assistance Division
September 15, 1994

Background

The Department of Social and Rehabilitation Services currently contracts with Hancock/Dikewood Services (H/D) of Albuquerque, New Mexico for the operation of a federally certified Medicaid Management Information System (MMIS). Because the system is certified as an MMIS, the Department receives enhanced Federal Financial Participation (FFP) for its operation (75% federal and 25% state). If the system were not certified, the funding split would be 50%/50%. Annually the system processes and pays over 800,000 Medicaid claims for 48,000 Medicaid recipients to 4,500 service providers. The present contract expired February 29, 1984, at which time the department (under public exigency) exercised its option to extend the agreement until February 28, 1985. After February 28, 1985, the department has no legal basis for requiring H/D to continue processing Medicaid claims nor would there be a set price for doing so.

During the 1983 legislative session, \$1.0 million was appropriated for the Design, Development, and Installation (DDI) of a state owned-fully certified MMIS to be operated on the state's central computer facility. The funding split for this project is 90% federal and 10% state.

During September 1983, the department released a Request for Proposal (RFP) requesting bids for the DDI and operation on the state's computer of a certified MMIS. On November 3, 1984, one (1) bid was received from Hancock/Dikewood Services which totalled \$4.7 million.

The following table illustrates the cost of that bid:

Table 1

ANNUALIZED COSTS

	<u>Total Cost</u>	<u>Year 1</u>		<u>Year 2</u>	
		<u>Federal Share</u>	<u>State Share</u>	<u>Federal Share</u>	<u>State Share</u>
Design/Develop/Install (90%-10%)	\$ 977,000	\$ 879,300	\$ 97,700	0	0
Claims Processing (75%-25%)	<u>3,755,000</u>	<u>1,403,125</u>	<u>469,375</u>	<u>1,408,125</u>	<u>469,375</u>
TOTAL	\$4,732,000	\$2,287,425	\$567,075	\$1,408,125	\$469,375

Although the bid for the DDI portion of the Proposal was within the appropriation limits, the resulting operational costs far exceeded our existing contract with H/D at that time and would have resulted in a significant General Fund impact.

The following illustrates the increase in annual operating cost resulting from the one (1) bid received:

Table 2

Hancock/Dikewood Proposal

11/03/83

Annualized Operational Costs for One Year

	<u>Current Contract</u> <u>as of 11/03/83</u>	<u>Proposed Contract</u> <u>as of 11/03/83</u>	<u>Difference</u>
Federal Share (75%)	\$ 736,222	\$ 1,408,125	\$ 671,903
State Share (25%)	<u>245,408</u>	<u>469,375</u>	<u>223,967</u>
TOTAL	<u>981,630</u>	<u>1,877,500</u>	<u>895,870</u>

Acceptance of this bid would have resulted in increased General Fund requirement of \$448,000 over the two year term of the contract. This proposal was rejected.

Had this procurement required a three year operation period (as is the case with our current Procurement) the total bid price would have logically been \$1,877,500 higher. For purposes of comparing this bid to those we received on August 3, 1984 the following table is presented:

Table 3

HANCOCK/DIKEWOOD PROPOSAL
(assuming 3 years operations)

	<u>Total</u> <u>BID</u>	<u>FFP 90%</u>	<u>FFP 75%</u>	<u>TOTAL FFP</u>	<u>State</u> <u>GEN FUNDS</u>	<u>State</u> <u>Share</u>
<u>Hancock/Dikewood Services Inc.</u>						
Design & Install	\$ 977,000	\$ 879,300		\$ 879,300	\$ 97,700	10%
Operation	<u>5,632,500</u>		<u>4,224,375</u>	<u>4,224,375</u>	<u>1,408,125</u>	<u>25%</u>
TOTAL	\$ 6,609,500	\$ 879,300	\$ 4,224,375	\$ 5,103,675	\$ 1,505,825	22.7%

Following the rejection of this bid, the department revised its approach to acquiring a Certified MMIS and released another RFP in May 1984. This RFP also called for a state-owned, Fiscal Agent-operated MMIS. It deviated from the prior RFP in one major respect as it required the Fiscal Agent to operate the system on its own computer as opposed to the state's computer. The RFP also allowed the department the option of transferring the system to the state's computer at the termination of the operations phase.

On August 3, 1984, the department received three bids in response to this RFP. The bidders included: Hancock/Dikewood, Montana Physicians' Services and Electronic Data Systems of Dallas, Texas, (MPS/EDS) and Consultec, Inc. of Atlanta, Georgia. The following table illustrates the bids received ranked from high to low and indicating the appropriate funding splits:

Table 4

MMIS BIDS RECEIVED
08/03/84

	<u>Total BID</u>	<u>FFP 90%</u>	<u>FFP 75%</u>	<u>TOTAL FFP</u>	<u>State GEN FUNDS</u>	<u>State Share</u>
<u>Hancock/Dikewood Services Inc.</u>						
Design & Install	\$ 521,870	\$ 469,683		\$ 469,683	\$ 52,187	10%
Operation	4,806,000		3,604,500	3,604,500	1,201,500	25%
Transfer	850,500	765,450		765,450	85,050	10%
TOTAL	\$ 6,178,370	\$ 1,235,133	\$ 3,604,500	\$ 4,839,633	\$ 1,338,737	21.7%
<u>MPS/EDS</u>						
Design & Install	849,000	764,100		764,100	84,900	10%
Operations	5,086,000		3,814,500	3,814,500	1,271,500	25%
Transfer	54,000	48,600		48,600	5,400	10%
TOTAL	\$ 5,989,000	\$ 812,700	\$ 3,814,500	\$ 4,627,200	\$ 1,361,800	22.7%
<u>CONSULTEC, Inc.</u>						
Design & Install	3,098,600	2,788,740		2,788,740	309,860	10%
Operations	2,865,000		2,148,750	2,148,750	716,250	25%
Transfer	25,000	22,500		22,500	2,500	10%
TOTAL	\$ 5,988,600	\$ 2,811,240	\$ 2,148,750	\$ 4,959,990	\$ 1,028,610	17.2%

The department has reviewed all three proposals and found the Montana Physicians' Services and Electronic Data Systems, and the Consultec, Inc. proposals to be responsive to the RFP. The Hancock/Dikewood proposal was found to be non-responsive due to negative responses in two (2) critical areas of the proposal. The department's Bid Evaluation Committee has recommended that a contract award be made to the lowest responsible bidder which is Consultec, Inc. The contract award cannot be officially made until the U.S. Department of Health and Human Services gives its final approval.

Analysis of Responsive Bids

The market place has been tested through open and competitive bidding processes. The fact that three competitive bids were received with less than \$200,000 separating the high and low attests to this fact. The State of Montana is committed to operating a certified MMIS as it is the most cost effective means available for meeting the complex administrative

requirements of the Medicaid Program. This procurement and the previous one have solidly confirmed that a MMIS will cost approximately \$6,000,000 to purchase and operate over the next three years.

The following illustrates the General Fund difference between the two (2) Bids over the next four (4) fiscal years:

Table 5

	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88*</u>	<u>Total</u>
<u>Consultec</u>					
Design	\$ 200,000	\$ 110,000	0		\$ 310,000
Operations	99,500	238,750	\$238,750	\$139,300	716,300
Transfer				2,500	2,500
	<u>\$ 299,500</u>	<u>\$ 348,750</u>	<u>\$238,750</u>	<u>\$141,800</u>	<u>\$1,028,800</u>
<u>MPS/EDS</u>					
Design	84,900	0	0		84,900
Operations	176,600	423,800	423,800	247,200	1,271,400
Transfer				5,400	5,400
	<u>\$ 261,500</u>	<u>\$ 423,800</u>	<u>\$423,800</u>	<u>\$252,600</u>	<u>\$1,361,700</u>
<u>Difference</u>					
	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88*</u>	<u>Total</u>
Design	(115,100)	(110,000)	0	0	(225,100)
Operations	77,100	185,050	185,050	107,900	555,100
Transfer				2,900	2,900
Total	<u>\$ (38,000)</u>	<u>\$ 75,050</u>	<u>\$185,050</u>	<u>\$110,800</u>	<u>\$ 332,900</u>

*Represents 7 months of operations in FY88 and transfer to the state computer.

Comparison to Current Costs

At the time the current contract with Hancock/Dikewood expired (2/29/84) the department exercised its option to extend the contract for one year. The extension required an increase of approximately 9% annually or \$89,610. Below is a comparison of the current H/D contract and the Consultec bid.

Annualized amount of the Hancock/Dikewood	
Contract as of 11/03/83.	\$ 981,630
Increase at contract extension on 2/29/84.	89,610
Current Annualized Cost on H/D Contract.	\$ 1,071,240
less	
Annualized Cost of Consultec, bid.	\$ 955,000
Annualized Savings	\$ 116,240
Annualized General Fund Savings at 25% FFP	<u>29,060</u>

The following illustrates the increased General Fund requirement for the next four (4) fiscal years assuming the H/D contract remained constant:*

Table 6

Annualized General Fund Requirement

	<u>FY85</u>	<u>FY86</u>	<u>FY87</u>	<u>FY88</u>	<u>Total</u>
General Funds for completing Design	\$ 100,000	\$ 110,000			\$ 210,000
Operations Reduction	<u>\$ (29,060)</u> \$ 70,947	<u>\$ (29,060)</u> \$ 80,940	<u>\$ (29,060)</u> \$ (29,060)	<u>\$ (29,060)</u> \$ (29,060)	<u>\$ (116,240)</u> \$ 93,760

*It is unrealistic to assume that the H/D contract would remain constant.

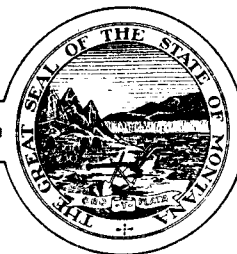
Conclusion

The following items summarize the present status of the MMIS procurement:

1. The present Hancock/Dikewood contract will expire on February 28, 1985. After this date there is no guarantee they would agree to continue processing Medicaid claims. It is a safe assumption that if they did the price would be in the range of their most recent bid which is \$530,800 more than we are currently paying. This would result in an additional annualized General Fund requirement of \$133,000.
2. The bid received from Consultec is the least expensive and operationally most desirable option available to continue Medicaid claims processing.
3. In order to obtain and operate a state owned MMIS additional General Fund of \$100,000 in FY85 and \$110,000 in FY86 is needed.
4. Because the need for additional funding authority may not technically meet Budget Amendment criteria SRS is informing the Legislative Finance Committee of the need for a Supplemental Appropriation.
5. The timeframes for implementation of the MMIS and transfer of claims processing responsibility from Hancock/Dikewood to Consultec are critical. Since the system must be operational March 1, 1985, SRS intends to sign a contract with Consultec as soon as Federal approval is received.

JDE/039

DEPARTMENT OF HEALTH AND ENVIRONMENTAL SCIENCES



TED SCHWINDEN, GOVERNOR

Exhibit 5
1-9-85
COGSWELL BUILDING

STATE OF MONTANA

January 9, 1985

HELENA, MONTANA 59620

Chairman Winslow, Members of the Committee for the record I am Yvonne Sylva, Administrator of Management Services Division.

Today I will present a brief summary of the overview I presented yesterday, and in addition will discuss funding sources, equipment needs and present the Divisions modified request for Inborn Errors of Metabolism.

At the conclusion of my presentation John Hawthorne, Bureau Chief of the Chemistry Laboratory and Dr. Douglas Abbott, Bureau Chief of the Microbiology Laboratory will respond to any technical questions you may have about the laboratories.

Budget questions should be directed to Mr. Hoffman.

I have prepared a packet of information for you that contains the information I will be presenting. You may wish to refer to it now.

Management Services Division provides a variety of services in support of Departmental and local private and public health programs.

There are 25 FTE's assigned to carry out the responsibilities of the Division.

Programs of the Division include, word and data processing, audio visual center, and the microbiology and chemistry laboratories.

FUNDING

Funding for the Division comes from a variety of sources in addition to general fund:

1. Handling Charge
2. Chemical Analyses Fees
3. Data Processing Charges
4. Audio-visual Center
5. Water Testing Fees

- 1). Handling Charge -- A handling charge of \$1.50 is assessed on each specimen received in the microbiology laboratory. This charge was implemented in August of 1983. At this time it appears that over 30% of the forms purchased are being stockpiled at the local level. Sales in the first half of SFY 85 are down. It is projected at the current rate that 32,000 forms will be sold in SFY 85. Revenue projections for the biennium were based upon the sale of 40,000 forms at \$1.75 each. The committee should be aware of a possible shortfall of revenue in this area, or the possibility of an increase in the handling charge. It is important to note that all handling charges are generated in the microbiology lab. Therefore, it appears that funds generated from the handling charge should be expended there or in administration where specimens are handled. You may wish to ensure that funding is appropriated in that manner.

- 2). Chemical Analyses Fees -- Actual costs for chemical analyses are generated for testing performed for the Air and Water Quality Bureaus, Solid and Hazardous Waste, other governmental agencies, physicians, and private citizens.

Receipt of projected fees is based upon these agencies receiving current level grant awards.

- 3). Data Processing Services -- Data processing services are provided to department programs on the basis of a per hour charge. This program is funded solely on this basis.
- 4). Audio-visual Center -- The Audio-visual Center receives multiple source funding from users of the services. Maternal and Child Health (Clinical Programs Bureau), Emergency Medical Services, and the Alcohol and Drug Division of the Department of Institutions.
- 5). Water Testing Fees -- Water testing fees are generated in support of environmental water testing performed in the Microbiology Laboratory and to a lesser degree in the Chemistry Laboratory. The number of water tests performed annually fluctuates greatly, therefore revenue estimates are difficult to project. A large increase in the number of samples received will make it necessary to increase spending authority to purchase supplies and materials necessary to perform the actual services.

Currently these fees are deposited in an earmarked revenue account. This account by Statute does not lend itself for budget amendments in spending authority during the biennium. The committee may wish to consider amending the law so that these funds may be budgeted in a federal and special revenue account. This would allow the agency access to the budget amendment process over the biennium.

YS/kk/16-A

MANAGEMENT SERVICES DIVISION
EQUIPMENT CONSIDERATIONS

The equipment that has not been mutually recommended by the Executive and LFA budgets for purchase during the biennium is listed below. You may wish to review this list and make adjustments.

DATA PROCESSING

* SFY 86

Total - \$3100 - To include the purchase of a printer for current PC attachment and for software.

Printer - \$600 - Acquisition of a printer will allow for the printing of materials on site. It will also allow for the partial automation of the audio visual center (scheduling, etc.).

Software -\$2500 - Will allow for the automation of many department functions such as filing and scheduling. In addition it will allow for replacement of the currently inadequate inventory package used in the laboratories.

This equipment will be purchased with Data Processing Fees. It is recommended in the Executive Budget but not in the LFA's.

SFY 87 - \$5,000 Microprocessor

Purchase of a microprocessor for Department use will allow for free standing programs to be developed without data entry or on-line computer charges.

This equipment will be purchased with Data Processing fees. It is recommended in the LFA budget but not in the Executive.

MICROBIOLOGY LABORATORY

SFY 86 - \$4,000 Replacement Equipment

Brightfield Light Microscope \$4,000

The current microscope was purchased over 20 years ago and is currently being used solely for diagnosis of lower level items because of its condition. This capability must be increased to meet the demands of the users and to allow for expedient and accurate diagnosis. This machine will be used daily. Average life expectancy = 10-15 years.

This equipment is recommended in the LFA budget but not in the Executive.

Sonifier and Bio-safe Homogenizer \$3,500

To replace and update worn-out tissue grinding equipment that was originally constructed by laboratory personnel ten years ago. The types of tests used in conjunction with this equipment are generally not performed in commercial laboratories in Montana.

This equipment is recommended in the Executive Budget but not the LFA.

CHEMISTRY LABORATORY

SFY 86 - \$1,000 Replacement equipment

Turbidimeter

This equipment is used to measure cloudiness (turbidity) in drinking and waste water and sulfur dioxide in air. Current equipment is in continual state of repair.

Recommended for purchase in the Executive Budget but not in the LFA.

Calculator - \$1,500

To replace programmable calculator used to prepare laboratory calculations. The current calculator has a poor repair record and excess downtime.

Recommended for purchase in the Executive Budget but not in the LFA.

EQUIPMENT FOR INBORN ERRORS OF METABOLISM TESTING

Gamma Counter - \$30,000

Micromedic 4/200 with HP 9815 data reduction calculator. Radioimmunassay equipment for Hypothyroidism determinations.

Specimen punch/Indexer - \$12,500

Phillips Punch Index Model VII. For initial preparation and processing of blood spots for analysis.

Refrigerated Centrifuge - \$12,000

Sorval RC-3B with rotor for micromedic tube racks. For preparation of samples for analysis.

* Diluters/Dispensers - \$6,000

Micromedic AD, Micromedic RD. For specimen dilutions and reagent transfers.

Waterbath - \$1,000

Precision 186 for reagent preparations and incubations.

* Micropipettes - \$500

SM1 and Brinkman variables. For specimen transfers and reagent preparation.

Fluorometric equipment - \$9,500

Autoanalyser and Fluorometer. For galactosemia PKU analyses.

* Must be compatible.

Inborn Errors of Metabolism

The Department of Health and Environmental Sciences is requesting that funding for the Inborn Errors of Metabolism program be transferred from the Clinical Programs Bureau to Management Services Division.

Currently the Department contracts with the Oregon State Laboratory for the testing mandated under MCA 50-19-203. This testing provides for the screening of all newborns for distinct metabolic abnormalities which are known to cause mental retardation. If discovered or untreated, this mental retardation is profound and irreversible.

The screening program was instituted by Legislative mandate in 1965 for screening all newborns for PKU, and amended in 1973 to include screening for other inborn errors of metabolism. The three most important abnormalities are PKU, congenital hypothyroidism (T-4) and galactosemia. The tests are blood tests that are obtained in the hospital before the infant is dismissed. In about 20% of the cases it is necessary for repeat testing to be performed.

It is proposed that the program and the funding associated with it be transferred to the Microbiology Laboratory of the Management Services Division for the next biennium. This program will be self-sufficient after SFY 86 and be funded through a charge for services eliminating future general fund support.

The Department is requesting \$145,600 of general fund and spending authority for fees collected to purchase equipment and to cover start up costs of the program. It is anticipated that the contract with the Oregon State Laboratory will terminate on September 30, 1985.

The equipment purchases necessary to assume responsibility for this program are listed in the equipment section of your handout.

Again, John Hawthorne, Chief of the Chemistry Laboratory and Dr. Doug Abbott, Chief of the Microbiology Laboratory are here and would be happy to respond to any questions you have concerning the laboratories.

Thank you.

YS/kk/19-A

HOUSE BILL NO. _____

Exhibit 6
1-9-85

INTRODUCED BY _____

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

A BILL FOR AN ACT ENTITLED: "AN ACT APPROPRIATING MONEY TO VARIOUS STATE AGENCIES FOR THE FISCAL YEAR ENDING JUNE 30, 1985; PROVIDING FOR OTHER MATTERS RELATING TO THE APPROPRIATIONS: AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Time Limits. The appropriations contained in this act are intended to provide only necessary and ordinary expenditures for the year for which the appropriations are made. The unspent balance of any appropriation shall revert to the fund from which it was appropriated.

Section 2. Governor's power to reduce appropriations. In the event of a shortfall in revenue, the governor may reduce any appropriation in this act by not more than 15%.

Section 3. Totals not appropriations. The totals shown in this act are for informational purposes only and are not appropriations.

Section 4. Appropriations. The following money is appropriated, subject to the terms and conditions of this act, for the fiscal year ending June 30, 1985:

<u>AGENCY</u>	<u>AMOUNT</u>	<u>FUND</u>
SUPREME COURT		
District Judges Pay Plan Costs	\$ 46,830	General
Supreme Court Operation Costs	18,779	General
SECRETARY OF STATE		
D.P.Cost Overrun	85,000	General
STATE AUDITOR		
Employee Retirement	73,154	General
OFFICE OF PUBLIC INSTRUCTION		
Match for Federal School Lunch Funds	2,750	General
Distribution to Schools	35,563	General
Vocational Education	40,414	General
DEPART OF JUSTICE		
Indian Legal Jurisdiction Efforts	217,000	General
DEPART OF PUBLIC SERVICE REGULATION		
Additional Costs of MPC Pipeline Case	5,767	General
	5,767	Federal & Other Special Rev
Participation in MDU Docket	20,000	General

Exec action

<u>AGENCY</u>	<u>AMOUNT</u>	<u>FUNDING</u>
STATE LIBRARY		
Crabtree Decision Penalties	\$ 44,144	General
DEPART OF STATE LANDS		
Fire Suppression Costs	3,999,089	General
DEPART OF LIVESTOCK		
Rabies Investigations	8,000	General
Successful Classification Appeal	14,366	General
DEPART OF COMMERCE		
Burlington Northern Legal Costs	289,144	General
Hard Rock Mining Operating Costs	30,804	General
DEPART OF MILITARY AFFAIRS		
Disaster and Emergency Pay Plan Costs	10,000	General
→ DEPART OF SOCIAL AND REHABILITATION SERVICES	→ 2,480,355	
Additional AFDC & Medicaid Costs	2,532,711	General
General Assistance	2,225,101	Federal & Other Special Rev
→ MMIS Procurement Costs	→ 113,860	General
	→ 1,024,740	Federal & Other Special Revenue
<div style="display: flex; align-items: center;"> <div style="font-size: 4em; margin-right: 10px;">{</div> <div> <p>The department is authorized the use of all remaining contingency fund monies for the purpose of reducing the amount required for supplemental funding.</p> </div> </div>		
DEPART OF LABOR AND INDUSTRY		
Successful Classification Appeals	19,475	General
Shortage in Federal Funds	18,500	General
→ Silicosis Benefits	↔ 49,700	General
TOTALS	\$ 7,675,050	General
	\$ 3,255,608	Federal and Other Special Rev

Section 5. Effective Date. This act is effective on passage and approval.

VISITORS' REGISTER

Human Services Sub COMMITTEE

BILL NO. _____

DATE 1-9-85

SPONSOR _____

NAME (please print)	RESIDENCE	SUPPORT	OPPOSE
Ed May	OBPP		
Ben Johns	SRS		
Dave Lewis	SRS	✓	
Mary Latend	OBPP		
Russell Cater	SRS	✓	
W. P. K. and M.	Helena	✓	
Lula Martinez	Butte		
Lair Durand	Butte	L	
Bob McCarty	Butte		
Thomas Spivey	Butte		
David E. Wanyemid	Helena		
Gary Brewitts	Helena	✓	
Dick Elly	Helena	✓	
Joe F. Nicell	S.R.S. Helena	✓	
Cal Broschi	CCC + MHC Great Falls		
Paul Carpenter	Montana Healthcare Coalition		
Sue O'Connell	GF Tribune		
Tim Smith	Helena		
Von Dors	Helena		
Regina Middleton	Bellingo		

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT FORM.

PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

Mary Zier

Bellingo