

MINUTES

MONTANA SENATE 52nd LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Senator Judy Jacobson, Chairman, on March 7, 1991, at 8:00 a.m.

ROLL CALL

Members Present:

Judy Jacobson, Chairman (D)
Greg Jergeson, Vice Chairman (D)
Gary Aklestad (R)
Thomas Beck (R)
Esther Bengtson (D)
Don Bianchi (D)
Gerry Devlin (R)
Harry Fritz (D)
H.W. Hammond (R)
Ethel Harding (R)
Bob Hockett (D)
Thomas Keating (R)
Dennis Nathe (R)
Lawrence Stimatz (D)
Larry Tveit (R)
Eleanor Vaughn (D)
Mignon Waterman (D)
Cecil Weeding (D)

Members Excused: Senator Manning

Staff Present: Carroll South, LFA

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

Announcements/Discussion: None

EXECUTIVE ACTION ON SENATE BILL 269

Discussion:

Senator Aklestad mentioned to the committee that this bill is the medical side of general assistance and will allow the Department to manage better under the new rules from the federal government, moving them onto a different funding mechanism.

Motion:

Senator Nathe moved that SENATE BILL 269 DO PASS.

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that SENATE BILL 269 DO PASS carried unanimously.

EXECUTIVE ACTION ON SENATE BILL 284

Discussion:

Regarding funding, Senator Jacobson said testimony indicated that funds are limited at the present time. If they get further grants, they would like to hire a staff person because right now they are using the administrative staff of the Department of SRS. She noted that testimony indicated they would use no more than 15 percent for administrative costs, but she did not see that in the bill. Senator Aklestad questioned that the funds would be for staffing and would be going away from direct services, and that they already have someone doing the staffing. He stated his concern that if money is available, they should be using it for the services they are supposed to be providing rather than further staffing. Senator Jacobson noted she had the same concerns but was told if they could get additional funding to even hire a part-time staff person, they could do more grant writing and generate more money.

Motion:

Senator Nathe moved that Senate Bill 284 DO PASS.

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion that Senate Bill 284 DO PASS carried. Senators opposed were Senators Aklestad, Beck, Bengtson, Devlin.

EXECUTIVE ACTION ON SENATE BILL 370

Motion:

Senator Waterman moved that Senate Bill 370 DO PASS.

Discussion:

Senator Waterman said it was her feeling that the only concern the committee had on this bill is the method of funding. Senator Jergeson said it was his feeling that some sort of sunseting should be included and since he does not have an amendment ready, he proposed that the bill be held. After further discussion on the sunset issue, Senator Jergeson said something could be added stating if the program did not generate a certain level of support, either by people using the check-off or by dollars generated, that the following year it would automatically sunset on the basis of lack of support. He noted he had not as yet drafted an amendment as that might be a complicated amendment to draw up. Senator Waterman said she had no problem with stating if, for two successive years it did not meet a certain dollar amount or a number, that it not continue.

Amendments, Discussion, and Votes:

Senator Jacobson discussed an amendment prepared by the Department of Revenue (See Exhibit 1). Senator Waterman moved the amendment to Senate Bill 370. Carroll South of the LFA said he had not discussed the amendment with the Department of Revenue but felt the concept would be that this is available for this calendar year so when you file your income tax for this tax year, the check-off would be available in 1992.

The motion to amend Senate Bill 370 carried unanimously.

Recommendation and Vote:

Senator Keating noted the biggest expense would be in the first year getting the program set up. He noted if we wanted to avoid having failing check-offs in the future, we would have to establish in the language if the funds drop below 200 percent of the cost of administration, that the check-off is automatically repealed. Senator Jacobson said regarding the \$22,000 cost, that assumes there would be no other changes made to the tax form this year, so it is really a worst case scenario. If other changes need to be made, the cost to this would be spread more across the board.

Senator Aklestad questioned Senator Waterman on the 2.8 million dollars and when that drops off, how the program will be funded. Senator Waterman said it was her feeling it would have to be picked up at local levels and that is why local support is so critical.

Senator Aklestad stated his feelings that it would be better if programs not working could be taken off the books and put the money into more effective programs. Senator Waterman said if there are programs that can be identified as ineffective, they should be eliminated.

Senator Beck questioned if there are statistics showing the effectiveness of this program. Senator Waterman stated the program has been in Montana for two years. She added from testimony presented, it demonstrated there has been a change in attitude in the younger population. She does not feel the track record is there to show the long-term effect of the program, but out of state there are statistics showing this program has had a better effect than most programs.

Senator Waterman's motion that Senate Bill 370 AS AMENDED DO PASS carried, with Senators Aklestad, Beck, Devlin opposed.

EXECUTIVE ACTION ON SENATE BILL 391

Motion:

Senator Keating moved that Senate Bill 391 DO PASS.

Discussion:

Senator Keating distributed a handout regarding SB 391 (See Exhibit 2) which he explained to the committee. He noted the departments reflected in this bill should be complimented in the way they have coordinated in effecting these fiscal efficiencies and still delivering the services. He said all money is in the Governor's budget, and the \$400,000 that we are saving has not been deducted from the fund balance, so by passing SB 391 we will be saving \$400,000 in the fund balance. He indicated we are working our general fund around from one department to another in order to use the money to get a 30-70 match. Instead of staying with a 100 percent state fund or a 50-50 match, we are manipulating through accounting procedures to move the general fund into a place where we can leverage a 30-70 match. We are getting more federal funds for the same amount of general fund we are using, which amounts to more money for the programs. He stated that the federal money is all in SRS but the match money is occasionally in another department.

Regarding case managers, Nancy Ellery, administrator of medicaid services division, SRS, said for targeted case management groups, existing staff will be used. For some groups, they will contract with existing providers so it will vary according to the target group. When questioned by Senator Bengtson as to streamlining the program so as not to overburden people with new duties and clients, Ms. Ellery said it will put more money into the system because federal dollars will be available to serve more people, making a better managed system. Under the managed care system for medicaid, they will have to get a waiver from the federal government of the freedom of choice requirement, but individuals will still get a choice of the physicians in their communities. Regarding cost savings, Ms. Ellery said other states have been examined and they have saved

from 5 to 10 percent, and some as much as 15 percent of their primary care costs by managed care. Senator Weeding stated his concern in rural areas and acceptable providers in the rural areas. Ms. Ellery said they have built in an incentive to participating providers of \$2 to \$3 a month for every enrolled client in addition to what they receive for providing the service. However, if that is not enough and they can't get enough providers in an area, they can use the regular medicaid system that exists. She concluded that the only thing that could impact the ability to save a lot of money in this program is if there are not providers willing to participate. The other problem with medicaid overall is the fact that we are only paying about 50 percent of their costs, and they may not be willing to do more for less. They are hopeful with the other things that are a part of House Bill 2 in terms of physician fee increases that it will increase the fees to such a level that the managed care system will work because it will have providers wanting to participate in the program.

Regarding the commencement date of the program being January 1, 1993, Ms. Ellery said in working with the federal government, it takes about a year to get a waiver through the system for them to allow us to set up a program like this. She concluded they will try to expedite this as quickly as possible.

Amendments, Discussion, and Votes:

None.

Recommendation and Vote:

Senator Keating's Motion that Senate Bill 391 DO PASS carried unanimously.

HEARING ON HOUSE BILL 648

Presentation and Opening Statement by Sponsor:

Representative Wanzienried, House District 7, sponsor, said the bill is a reauthorization of funding 3.2 million dollars of monies authorized by the 1989 legislature. He stated that for many reasons the water and sewer district hasn't been able to proceed with the project funded with this low interest loan authorized by the '89 legislature. This bill would reauthorize the same number of dollars into the next biennium. He noted the reason the bill is before this committee early in the session is that the design work itself is on hold pending the resolution of this as one part of the total funding package. He stated his hope that with this much lead time that they will be able to do the work in the fall of '92.

Proponents' Testimony:

Steve Pilcher, Administrator of Environmental Sciences Division of the Department of Health and Environmental Sciences, stated their total support of HB 648. He said he has for ten years been trying to get a sewer system for the Evergreen area. He indicated it is an area with many problems but feel they are close to a viable solution to the problem, and he would be disappointed if problems are created that would interfere with the attempts to correct a water quality issue in the Kalispell-Flathead Lake area.

Opponents' Testimony:

None

Questions From Committee Members:

Senator Aklestad asked why this bill didn't go through Long Range Building. Rep. Wanzenried said it was initially assigned to that subcommittee and they acted on it and were going to approve it as part of that package, but it was separated because they desired to have earlier action on it. Regarding a question on the funding mechanism, Rep. Wanzenried said the project was on the funding list before the 1989 legislature, and they are asking this session to reauthorize funding. He concluded it is on the list for reauthorization.

When questioned what would happen if the money is not expended, Carroll South of the LFA said the money comes from bonds the State sells and if the money is not obligated or can't be issued, the State would not sell the bonds; this is the coal severance tax bond program.

John Tubbs, Bureau Chief of Resource Development Bureau of the Department of Natural Resources, stated there would be money authorized in this bill; the money is financed through bond sales. That bond, if they are not ready to go to construction for another year would probably go on sale a year from now.

Regarding the funding package, Rep. Wanzenried said there is a funding package including money from the EPA and the engineering firm has to have the plan approved by the Department of Health and Environmental Sciences before the release of any of the monies, and in order for them to proceed they have to know they have the full package together.

Closing by Sponsor:

Rep. Wanzenried closed.

EXECUTIVE ACTION ON HOUSE BILL 648

Motion:

Senator Nathe moved that House Bill 648 BE CONCURRED IN.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Senator Nathe's motion that House Bill 648 BE CONCURRED IN carried unanimously. Senator Harp will carry the bill on the Senate floor.

HEARING ON SENATE BILL 382

Presentation and Opening Statement by Sponsor:

Senator Bengtson, Senate District 49, sponsor, asked that the bill be tabled. She said she was approached by a person from the mental health association questioning the cost of accrediting Warm Springs. The only unit in Warm Springs that is licensable is unit 219, which is reflected in the fiscal note attached to the bill. She indicated she did not sign the fiscal note because more information was needed. She referred to a letter she received from the Office of Budget and Program Planning (See Exhibit 3).

Proponents' Testimony:

None

Opponents' Testimony:

None

Questions From Committee Members:

None

Closing by Sponsor:

Senator Bengtson said she would like the bill tabled.

EXECUTIVE ACTION ON SENATE BILL 382

Motion:

Senator Devlin moved that Senate Bill 382 BE TABLED.

Discussion:

None

Amendments, Discussion, and Votes:

None

Recommendation and Vote:

Motion carried unanimously that Senate Bill 382 BE TABLED.

HEARING ON SENATE BILL 385

Presentation and Opening Statement by Sponsor:

Senator Keating, District 44, Billings, sponsor, said SB 385 is at the request of the Department of Family Services. He said the Pine Hills School is a correctional facility where they are making furniture, and they need spending authority of about \$6,000 so these people can build and sell their furniture to keep the inmates busy there. The bill is attempting to establish spending authority for that industry.

Proponents' Testimony:

Doug Matthies, Administrative Support Division, Department of Family Services, said the bill is provided to establish into law the industry's program at Pine Hills School. (See testimony, Exhibit 4)

Opponents' Testimony:

None

Questions From Committee Members:

Senator Aklestad asked Mr. Matthies why this bill did not go through the subcommittee dealing with Family Services. Mr. Matthies stated the appropriation did go through the Human Services subcommittee. They are requesting the bill so the program will be established continually and not have to be reauthorized through an appropriation each time.

Senator Waterman questioned if there is a comparable program for the Mountain View School. Mr. Matthies said he did not think

there was vocational training but that they have the regular school programs. Senator Waterman said she supports this proposal but thinks there needs to be something besides cooking and sewing available for the comparable women's institutions and hopes this will be developed.

Senator Weeding asked what the marketing scheme was going to be. Mr. Matthies said the appropriation is \$6,000, and it is their intent to contact local service clubs, non-profit organizations and state and local governments to try to provide these products for their local parks. He noted he does not anticipate any objection from private entities doing the same work.

Closing by Sponsor:

Senator Keating closed.

EXECUTIVE ACTION ON SENATE BILL 385

Motion:

Senator Keating moved that Senate Bill 385 DO PASS.

Discussion:

None

Amendments, Discussion, and Votes:

None

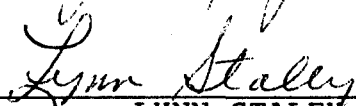
Recommendation and Vote:

Senator Keating's motion that Senate Bill 385 DO PASS carried unanimously.

ADJOURNMENT

Adjournment At: 9:05 a.m.


JUDY JACOBSON, Chairman


LYNN STALEY, Secretary

SENATE FINANCE & CLAIMS COMMITTEE

March 7, 1991

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JJ/LS

ROLL CALL

FINANCE & CLAIMS COMMITTEE

DATE 3/7/91

LEGISLATIVE SESSION

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON CHAIRMAN	P		
SENATOR JERGESON, VICE CHAIRMAN	P		
SENATOR AKLESTAD	P		
SENATOR BECK	P		
SENATOR BENGTON	P		
SENATOR BIANCHI	P		
SENATOR DEVLIN	P		
SENATOR FRITZ	P		
SENATOR HAMMOND	P		
SENATOR HARDING	P		
SENATOR HOCKETT	P		
SENATOR KEATING	P		P
SENATOR MANNING			
SENATOR NATHE	P		
SENATOR STIMATZ	P		

Each day attach to minutes.

FINANCE & CLAIMS COMMITTEE, CONTINUED

LEGISLATIVE SESSION

Each day attach to minutes.

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 385 (first reading copy -- white), respectfully report that Senate Bill No. 385 do pass.

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

for 3-7-91
Ad. Coord.

SR 5-7 11:30
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration House Bill No. 648 (third reading copy -- blue), respectfully report that House Bill No. 648 be concurred in.

Signed: Judy H. Jacobson

Judy H. Jacobson, Chairman

1991 3 7
Amd. Coord.

58 3-7 11:30
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 284 (first reading copy -- white), respectfully report that Senate Bill No. 284 do pass.

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

LB 3/7/91
Amd. Coord.

SP 2/7 11:30
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 391 (first reading copy -- white), respectfully report that Senate Bill No. 391 do pass.

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

JA 3-7-91
And. Coord.

JB 3-7 11:30
Sec. of Senate

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 269 (first reading copy -- white), respectfully report that Senate Bill No. 269 do pass.

Signed: _____

Judy H. Jacobson
Judy H. Jacobson, Chairman

B 3/7/91
Amd. Coord.

SP 3/7 11:30
Sec. of Senate

3/7

SENATE STANDING COMMITTEE REPORT

Page 1 of 1
March 7, 1991

MR. PRESIDENT:

We, your committee on Finance and Claims having had under consideration Senate Bill No. 370 (first reading copy -- white), respectfully report that Senate Bill No. 370 be amended and as so amended do pass:

1. Page 10, line 11.

Following: "approval."

Insert: "[Section 6 of this act] applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990. [Section 7 and 8 of this act] apply to tax forms filed for taxable years beginning after December 31, 1990."

Signed: _____

Judy H. Jacobson, Chairman

for 3-291
And. Coord.

313 3-7 3:15
Sec. of Senate

Amendment to Senate Bill 370
1st Reading Copy
Prepared by Department of Revenue
(March 4, 1991)

1. Page 10, line 11.

Following: "approval."

Insert: "[Section 6 of this act] applies retroactively, within the meaning of 1-2-109, to taxable years beginning after December 31, 1990. [Section 7 and 8 of this act] apply to tax forms filed for taxable years beginning after December 31, 1990."

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 3-7-91

BILL NO. SB 370

by Waterman

**Purpose of Amendment to Senate Bill 370
1st Reading Copy
Prepared by Department of Revenue
(March 4, 1991)**

Amendment 1. This act creates a trust fund for drug abuse resistance education, allows it to accept gifts and grants, establishes restrictions on the expenditure of funds and establishes a check-off for donations on the state income tax returns. For clarity, the section of the act that provides a tax deduction for contributions, whether or not a check-off, needs a retroactive applicability date. The sections of the act that create a check-off on the individual income tax forms also need an applicability date for clarity. This amendment clarifies that contributions made during 1991 will be deductible against 1991 income and the check-off will be available on the 1991 tax returns that will be filed in 1992.

SENATE BILL 391

DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES

Items included in the Current Budget

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
1. State Medical Managed Care:						
Expenditures:						
Operating Costs	\$0	\$150,000	\$150,000	\$0	\$150,000	\$150,000
State Medical Savings due to Managed Care	\$0	(\$324,693)	(\$324,693)	\$0	(\$285,337)	(\$285,337)
	\$0	(\$174,693)	(\$174,693)	\$0	(\$135,337)	(\$135,337)
Funding						
General Fund	\$0	(\$174,693)	(\$174,693)	\$0	(\$135,337)	(\$135,337)

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
2. Targeted Case Management:						
Pregnant Women						
Expenditures:						
Benefits	\$0	\$493,050	\$493,050	\$0	\$493,146	\$493,146
Funding						
General Fund	\$0	\$139,484	\$139,484	\$0	\$138,574	\$138,574
Federal Funds	\$0	\$353,566	\$353,566	\$0	\$354,572	\$354,572
	\$0	\$493,050	\$493,050	\$0	\$493,146	\$493,146

SENATE BILL 391

DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES

Items already included in the current budget.

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Benefits	\$0	\$643,050	\$643,050	\$0	\$643,146	\$643,146
Funding						
General Fund	\$0	(\$35,209)	(\$35,209)	\$0	\$3,237	\$3,237
Federal Funds	\$0	\$353,566	\$353,566	\$0	\$354,572	\$354,572
	\$0	\$318,357	\$318,357	\$0	\$357,809	\$357,809

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 2DATE 3-7-91BILL NO. SB 391

Senate Bill 391

DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES

Items not included in the Current Budget.

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
1. Medicaid Managed Care:						
Expenditures:						
E:	0	1	1	0	1	1
Personal Services	\$0	\$28,102	\$28,102	\$0	\$28,102	\$28,102
Operations: Managed Care	\$0	\$156,495	\$156,495	\$0	\$149,201	\$149,201
Equipment	\$0	\$4,000	\$4,000	\$0	\$0	\$0
Medicaid (AFDC)	\$50,000,000	\$50,000,000	\$0	\$50,000,000	\$47,500,000	(\$2,500,000)
Managed Care Benefits	\$0	\$0	\$0	\$0	\$510,912	\$510,912
	\$50,000,000	\$50,188,597	\$188,597	\$50,000,000	\$48,188,215	(\$1,811,785)
Funding						
General Fund	\$14,145,000	\$14,214,298	\$69,298	\$14,050,000	\$13,577,618	(\$472,382)
Federal Funds	\$35,855,000	\$35,974,299	\$119,299	\$35,950,000	\$34,610,597	(\$1,339,403)
	\$50,000,000	\$50,188,597	\$188,597	\$50,000,000	\$48,188,215	(\$1,811,785)

2. Targeted Case Management :
For Chronically Mentally Ill
Adults

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Benefits	\$0	\$1,510,752	\$1,510,752	\$0	\$1,524,996	\$1,524,996
Funding						
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$1,510,752	\$1,510,752	\$0	\$1,524,996	\$1,524,996
	\$0	\$1,510,752	\$1,510,752	\$0	\$1,524,996	\$1,524,996

3. Targeted Case Management :
Disability Clients

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Transfers to DFS	\$0	\$1,908,791	\$1,908,791	\$0	\$1,926,674	\$1,926,674
Funding						
General Fund	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$1,908,791	\$1,908,791	\$0	\$1,926,674	\$1,926,674
	\$0	\$1,908,791	\$1,908,791	\$0	\$1,926,674	\$1,926,674

SB 391 Recap: For Items not
Included in the Current Budget

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Expenditures:						
Benefits	\$50,000,000	\$53,608,140	\$3,608,140	\$50,000,000	\$51,639,885	\$1,639,885
Funding						
General Fund	\$14,145,000	\$14,214,298	\$69,298	\$14,050,000	\$13,577,618	(\$472,382)
Federal Funds	\$35,855,000	\$39,393,842	\$3,538,842	\$35,950,000	\$38,062,267	\$2,112,267

Senate Bill 391

DEPARTMENT OF FAMILY SERVICES

Targeted Case Management :

DD Clients

Expenditures:

Benefits

Funding

General Fund

Federal Funds

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Benefits	\$753,029	\$753,029	\$0	\$752,984	\$752,984	\$0
Funding						
General Fund	\$753,029	\$753,029	\$0	\$752,984	\$752,984	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
	\$753,029	\$753,029	\$0	\$752,984	\$752,984	\$0

Senate Bill 391

DEPARTMENT OF INSTITUTIONS

Targeted Case Management :

Chronically Mentally Ill Adults

Expenditures:

Benefits

Funding

General Fund

Federal Funds

	FY92			FY93		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Benefits	\$596,000	\$596,000	\$0	\$596,000	\$596,000	\$0
Funding						
General Fund	\$596,000	\$596,000	\$0	\$596,000	\$596,000	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
	\$596,000	\$596,000	\$0	\$596,000	\$596,000	\$0

STATE OF MONTANA - FISCAL NOTE
FOR SB 391
DEPARTMENT OF SOCIAL AND REHABILITATIVE SERVICES

Description: Authorizes managed care for General Relief Medical Assistance Program and for the Medicaid Program. Authorizes Case Management Services under the Medicaid Program.

1. General Relief Medical Assistance Program Managed Care:

Assumptions: 1. Managed care will go into effect for this program on July 1, 1991.

2. Managed care savings will be \$324,693 in FY 1992 and \$285,337 in FY 1993.

3. Cost of managed care will be approximately \$150,000, based on preliminary results of the RFP for managed care issued by the Department in November 1990.

Fiscal Year	General Fund	Federal Funds	Total Funds
1992	(\$174,693)	\$ 0	(\$174,693)
1993	(\$135,337)	\$ 0	(\$135,337)
Biennium Total	(\$310,030)	\$ 0	(\$310,030)

2. Medicaid Managed Care:

Assumptions: 1. Will commence on January 1, 1993.

2. It will be a mandatory statewide program for categorically eligible AFDC clients. Currently this would be 28,384.

3. A monthly \$3.00 fee will be paid to the primary care physician for case management services for each client.

4. The Department will be responsible for enrollment, tracking, client eligibility, and administration of the program.

5. All recipients will be assigned to a primary care physician.

6. One new FTE will be required for the Medicaid Services Division at a grade 15, step 2. Operational support and equipment will be required for these FTE's. Equipment will include \$4,000 for a computer and furniture. This is a one time charge FTE.

7. Systems changes will be required on the MMIS and TEAMS computer systems. MMIS changes are estimated to cost \$108,400 and the TEAMS changes are estimated to cost \$50,000. These are estimates

8. This type of program in other states has resulted in a savings of up to 10% of primary care costs. Assuming this program will be started in fy 1993, we project a savings of approximately \$2,500,000 for that year, since the program will not be in full operation until well into fiscal 1993.

Medicaid Managed Care: - Continued -

SFY 1992	General Funds	Federal Funds	Total Funds
Personnel - Medicaid	\$14,051	\$14,051	\$28,102
System Changes	\$50,000	\$100,000	\$150,000
Operations - Medicaid	\$3,247	\$3,248	\$6,495
Equipment - Medicaid	\$2,000	\$2,000	\$4,000
Total 1992	\$69,298	\$119,299	\$188,597
SFY 1993			
Personnel - Medicaid	\$14,051	\$14,051	\$28,102
Operating - Family Assist	\$25,000	\$25,000	\$50,000
System Changes	\$2,100	\$6,300	\$8,400
Medicaid Ops Contracted CM Other Ops	\$42,153 \$3,247	\$42,153 \$3,248	\$84,306 \$6,495
Equipment - Medicaid	\$ 0	\$ 0	\$ 0
Equipment - Family Assist	\$ 0	\$ 0	\$ 0
Operations Total fy 1993	\$86,551	\$90,752	\$177,303
Benefits 1993	\$143,566	\$367,346	\$510,912
Estimated Savings 1993	(\$702,500)	(\$1,797,500)	(\$2,500,000)
Total FY 1993	(\$472,383)	(\$1,339,402)	(\$1,811,785)
Biennium Total	(\$403,085)	(\$1,220,103)	(\$1,623,188)

3. Targeted Case Management for High Risk Pregnant Women:

Assumptions: 1. Assume eligibility for pregnant women on Medicaid remains at 133% of poverty.

2. Assume 25% percent of pregnant women will meet definition of "high risk".

3. Assume these fees are adopted: Risk assessment \$15.00, Case management \$30.00 per month, Visits \$10.00.

Fiscal Year	General Funds	Federal Funds	Total Funds
Fiscal 1992	\$139,484	\$353,566	\$493,050
Fiscal 1993	\$138,574	\$354,572	\$493,146
Biennium Total	\$278,058	\$708,138	\$986,196

4. Targeted Case Management for the Chronically Mentally Ill:

Assumptions: 1. General fund is already within the Department of Institutions budget.

2. Will serve clients in a total of 734 slots at an approximate cost of \$2,870 per slot in 1992, and 734 slots at an approximate cost of \$2,890 per slot in 1993.

Fiscal Year	General Funds	Federal Funds	Total Funds
Fiscal 1992	\$0	\$1,510,752	\$1,510,752
Fiscal 1993	\$0	\$1,524,996	\$1,524,996
Biennium Total	\$0	\$3,035,748	\$3,035,748

5. Targeted Case Management for DD Clients:

1. The Department of Family Services has General fund in each year of the upcoming biennium for case management for DD clients. This amount can be matched at the FMAP rate from Medicaid.

2. DD clients amount to 14.86% of the Department of family Services caseload.

Fiscal Year	General Funds	Federal Funds	Total Funds
Fiscal 1992	\$ 0	\$1,908,791	\$1,908,791
Fiscal 1993	\$ 0	\$1,926,674	\$1,926,674
Biennium Total	\$ 0	\$3,835,465	\$3,835,465

OFFICE OF THE GOVERNOR
BUDGET AND PROGRAM PLANNING

SB 382



STAN STEPHENS, GOVERNOR

STATE CAPITOL

STATE OF MONTANA

(406) 444-3616

HELENA, MONTANA 59620

TO: Senator Esther Bengtson

FROM: Mary LaFond, Budget Analyst
Office of Budget and Program Planning

RE: ADDITIONAL INFORMATION REGARDING SB382

DATE: March 4, 1991

Mary LaFond
SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 3-7-91

BILL NO. SB382

As you requested, I compiled additional information regarding SB382 which would require accreditation of the Montana State Hospital (MSH) no later than June 30, 1993. If the hospital were to fulfill all requirements necessary to receive accreditation by the Joint Commission on Accreditation of Healthcare Organization (JCAHO), the preliminary estimated costs would be \$1,751,451 in FY92 and \$6,579,212 in FY93.

The Department of Administration (DOA), Architecture and Engineering Division (A&E) and the Department of Institutions based these cost projections on staff interpretations of JCAHO regulations and requirements. More accurate information and figures would require a comprehensive review of programs and facilities by professionals familiar with JCAHO program and facility code requirements.

DEPARTMENT OF ADMINISTRATION

DOA provided costs for facility upgrades at the Warm Springs Campus and Galen Campus. (See Attachment A.) The cost estimates reflect a general need to provide basic improvements to buildings and to comply with National Fire Protection Agency (NFPA) 101 as applicable per Section 28, Consolidated Standards Manual of JCAHO. Total capitol project costs would be \$531,400 in FY92 and \$5,420,700 in FY93.

The cost estimates were developed by James Whaley, Facility Planner for A&E, after a brief survey of the buildings and a review of major code requirements with the Department of Health and Environmental Sciences. Costs were derived without a detailed analysis of all factors and should be considered as "best estimations". More detailed cost projections will require substantially more programming and study.

Accreditation by JCAHO will require all patient-occupied areas comply with the Life Safety Code NFPA 101-1988. The buildings currently licensed under a previous code will not change use; however, they will need to be updated to 1985 codes as proposed by

pending federal regulations. Four buildings have been identified in this category and will not need to be modified to comply with current codes.

Buildings currently unoccupied as well as maintenance buildings, warehouses, boiler plants, staff housing and seven major buildings designated for demolition are not included as part of these project report totals. Demolition is estimated to cost an additional \$640,000.

The general deterioration in the infrastructure of the two campuses is not addressed in these estimates either. Department of Natural Resources has recommended \$1.6 million for energy improvements, MSH has requested \$1.4 million for road and sidewalk repair, and underground utilities need to be surveyed before repair costs can be identified.

General deferred maintenance costs such as \$451,000 requested from the Long Range Planning Committee for roof replacements are not included in these report totals either. There has not yet been action on these maintenance requests.

Although SB382 calls for the hospital to be brought to compliance with accreditation standards by June 30, 1993, Mr. Whaley assumes that if funds are appropriated this legislative session, the construction projects could not be completed until January 1994.

DEPARTMENT OF INSTITUTIONS

DOI based their estimates on the status-quo or current programs offered at MSH and compliance will have to be attained in four separate program areas: Psychiatric, Substance Abuse, Acute Hospital, and Long Term (nursing) Care. All support and ancillary services would also have to be in compliance. The total general fund estimated cost is \$1,220,051 in FY92 and \$1,158,512 in FY93. (See Attachment B.)

A JCAHO survey is estimated to cost \$59,461 for the entire MSH. This cost would have to be paid again for repeat surveys if the institution failed. Contractors with private service providers who currently have JCAHO accreditation all recommend that MSH should contract with JCAHO survey consultants for each program area prior to the actual survey.

DOI has the following concerns about pursuing this course of action:

1. Will JCAHO accredit a psychiatric program such as Warm Springs, which has a number of patients who are considered by many to be inappropriate for inpatient psychiatric services? (i.e., mentally retarded offenders, traumatic brain injuries, personality disorders, criminal court-ordered placement);
2. Many of the additional FTE positions required for JCAHO accreditation include those who are currently very difficult to recruit and hire (i.e., psychiatrists, psychologists, nurses);

3. Other accreditation or certification criteria must be met such as medicaid/medicare (Health Care Financing Administration - HCFA). Requirements for HCFA certification, specifically regarding building/fire/life safety codes, may be more restrictive and costly. It is estimated by DOI/A&E that renovation costs for some buildings may increase \$30-\$60 per square foot (SF) to meet HCFA requirements.

The agencies have backup material for the information provided in this report. Please call me if you have any questions or need more information.

ATTACHMENT A

DEPARTMENT OF ADMINISTRATION
Architect and Engineering Division
Costs for Facility Upgrades

WARM SPRINGS CAMPUS

Xanthopoulos Forensic unit was constructed to requirements of NFPA 101-1985. No modifications.

Cost: \$ -0-

Spratt is currently licensed under NFPA 101-1973. Upgrade to 1985 edition will require improvement to fire alarm and detection systems, fire sprinkler systems and nurse call system.

Cost: 22,146 SF @ \$3.00/SF = \$66,400

Intake will need fire alarm/detection upgrade and door modifications. There may be a problem with area separation.

Cost: 16,840 SF @ \$5.00/SF = \$84,200

It is estimated to cost \$435,000 to upgrade the building to HCFA standards maintaining the current number of beds (24 beds).

Receiving Hospital will need fire detection and alarm upgrade, electrical and mechanical improvements, floor repairs, isolation of lounge areas from corridors, door modifications, smoke barriers, and possibly area separation walls.

Cost: 61,752 SF @ \$10.00/SF = \$617,500

Warren Building will require a new fire detection alarm system, improvements to the mechanical and electrical systems, ceiling modifications, extensive renovation and improved exiting from the basement. In addition a 2.5" concrete separation between the third floor and the attic, or replacement of wood roof structure with non-combustible construction will be necessary. Handicapped access will need to be improved including modifications to the existing elevator, and toilet rooms.

Cost: 43,388 SF @ \$20.00/SF = \$867,800

Pintlar Lodge will require a new fire detection/alarm system, door replacements or modifications, and improvements to integrity of 1 hour rated corridors. Bathrooms will need to be extensively renovated to provide handicapped access, and minor site improvements are needed.

Cost: 6,840 SF @ \$12.00/SF = \$82,100

Administrative Annex is not considered patient occupied, and will not be modified for JCAHO certification.

Cost: -0-

Administration would be converted to a pharmacy.

Cost: 5,094 SF @ \$10.00/SF = \$50,900

Multi-Purpose Building would need to meet assembly requirements. This will require new doors, corridor improvements, maintain integrity of exit corridors, additional exiting, and minor mechanical/electrical upgrades. Building may require a new fire sprinkler system.

Cost: 21,125 SF @ \$4.00/SF = \$84,500

Laundry: Residents currently work in the laundry. The building would need general upgrade and system improvements as well as replacement of antiquated equipment.

Cost: \$140,000 equipment plus 10,000 SF @ \$7.00/SF = \$210,000

Kitchen Food Service will require a general upgrade to adequately protect and serve the residents. Project will include fire detection/alarm upgrade and floor repairs.

Cost: 36,050 SF @ \$10.00/SF = \$360,500

Trade School will require extensive interior upgrade to meet codes and serve residents.

Cost: 7,040 SF @ \$20.00/SF = \$140,800

Galen Campus

Terrill/Crockett is currently licensed under NFPA 101-1967. The building will need to be upgraded to 1985 code; this will involve upgrading the fire detection/alarm system, isolation of activities from the corridor and door modifications. Cost assumes construction is Type II, 2 hour and a fire sprinkler system will not need to be installed.

Cost: 74,000 SF @ \$10.00/SF = \$740,000

Annex is currently licensed but is not occupied. Extensive work may be needed to bring the building to current codes depending on occupancy.

Cost: -0-

Receiving Hospital is not occupied by patients. The only patient service is admitting and cost to upgrade building makes it more feasible to relocate this service to currently licensed area.

Cost: -0-

Lighthouse would need to be completely remodeled to meet NFPA 101-1988.

Cost: 7,000 SF @ \$50.00/SF = \$350,000

Alcohol Treatment Center would require new fire detection/alarm systems, modifications to basement exiting, door modifications and mechanical/electrical upgrades. Stairs do not meet code and would need to be replaced and an elevator added.

Cost: 43,000 SF @ \$18.00/SF = \$774,000

Additional construction costs include a 12% architect fee of \$531,400 and a contingency (20% of construction cost and fee) of \$992,000.

DEPARTMENT OF INSTITUTIONS
Estimated Costs for JCAHO Accreditation

FISCAL IMPACT	FY92	FY93

Personal Services:		
(salaries/benifits)		
3.0 Psychiatrists, 3.0 Psychologists, 9.0 Psych. Nurses,		
3.3 Spec Duty Aides, 2.0 Substance Abuse Counselors, 3.0		
S.A. Counselor Techs., 1.0 Teacher, 2.0 Adm. Officers, 1.0		
Adm Assistant, 0.5 Librarian.		
	-----	-----
Total (27.80 FTE)	\$1,076,151	\$1,076,151
Operational Expenses:		
-JCAHO Application/Survey Cost \$	1,000	\$ 59,461
-JCAHO Survey Consultants \$	75,000	
-Professional books,		
magazines, periodicals,		
library start-up costs \$	10,000	
-Continuing Education (tuition		
workshops, travel, Reg.fees) \$	20,500	\$ 20,500
-Data Processing software \$	5,000	
-Maintenance on computer		
equipment \$	2,400	\$ 2,400
	-----	-----
Total Operating Expenses	\$ 113,900	\$ 82,361
Equipment:	-----	
-5 Computers	\$ 30,000	
	-----	-----
TOTAL PROJECTED COSTS:	\$1,220,051	\$1,158,512
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DEPARTMENT OF FAMILY SERVICES

PINE HILLS SCHOOL

INDUSTRIES PROGRAM

The intent of the proposed Industries Program is to provide meaningful work experience for the students involved and a marketable finished product. Through the Industries Program, students will construct products for state, federal, and local organizations at a small profit.

Initially, the profit received from these projects will be used to replace supplies. Once the Industries Program becomes more established, it is hoped that any profit generated could be applied towards court-ordered restitution. Additionally, students involved in the projects may earn a percentage of the profits from their efforts.

A year ago, Pine Hills contracted with the Montana Fish, Wildlife and Parks Department to construct 100 picnic tables. The project was very successful and demonstrated that future endeavors of this type would be well worth the effort.

An industries program of this type is much more appropriate for a Correctional Facility than the traditional vocational instruction Pine Hills School now offers. Our Pre-vocational Training Program provides instruction in welding, woods, mechanical drawing, and small engine and diesel engine repair. However, courses provide only introductory level instruction, through the construction of projects such as birdhouses, windmills, and breadboards.

Approximately 70 percent of Pine Hills' students are involved in vocational instruction throughout the course of their stay at the school. The Industries Program will provide both a useful product at a reduced rate, and valuable "real world" work experience for students preparing to re-enter Montana communities.

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 4

DATE 3-7-91

BILL NO. SB385

DATE 3/7/91

COMMITTEE ON Finance & Claims DATE

HB 648, 5B 382
5B 385

VISITORS' REGISTER

[illegible]

(Please leave prepared statement with Secretary.)