MINUTES

MONTANA HOUSE OF REPRESENTATIVES
54th LEGISLATURE - REGULAR SESSION

JOINT SUBCOMMITTEE ON HUMAN SERVICES & AGING

Call to Order: By **CHAIRMAN JOHN COBB**, on February 14, 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
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: Department of Family Services
Executive Action: Social and Rehabilition Services

{Tape: 1; Side: A; Approx. Counter: 1.0; Comments: N/A.}

EXECUTIVE ACTION ON DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

Motion/Vote: **SEN. LYNCH** made the motion to reconsider the tobacco grant for $650,000 without any FTE. The motion **CARRIED** 5 to 1 with **REP. BETTY LOU KASTEN** voting no.

CHAIRMAN COBB said the $650,000 is federal money. He referred to the Budget Analysis Book Vol. 1 page B-182 item #7. The money is to be used for expanding tobacco control.

Motion/Vote: **CHAIRMAN COBB** moved to adopt the tobacco grant without any FTE. The motion **CARRIED** 5 to 1 with **REP. BETTY LOU KASTEN** voting no.

REP. BETTY LOU KASTEN asked if the committee had passed the breast and cervical cancer prevention program proposal. **CHAIRMAN COBB** said it passed.

CHAIRMAN COBB informed the committee they will work on the Lead Abatement issue.

SEN. J.D. LYNCH said the Lead Abatement does not have any FTE nor state monies involved. He felt the committee doesn't need to do anything with this issue because they have not dealt with it in previous hearings.

CHAIRMAN COBB said the Lead Abatement will not be addressed until **Mark Lee, LFA**, joined the committee.

CHAIRMAN COBB said the rest of the meeting today will be to discuss additional cuts or whatever else needs to be addressed before executive action takes place the next day, February 15, 1995. He asked that any amendments that need to be taken care of be delivered to **Lois Steinbeck, LFA**, before the day is over. He said the committee will start at 7:00 a.m. in the morning to work on executive action.

HEARING ON DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

CHAIRMAN COBB asked if anyone from the SRS wanted to address the committee and explain the proposed cuts at this time.

Dr. Peter Blouke, Director of the Department of Social Rehabilitation Services (SRS), said they are not at the meeting to propose any additional cuts, but would like to discuss the budget. He said when OBPP put together the department's budget on primary care, it did so by using only one or two months from FY95 data for comparison. He said historically when they have gone through a legislative session the department acquired estimates based on additional information that is available between the time the Executive Budget is put together and the legislative session. He was concerned because in the past the estimates have always gone up. This legislative session has found that the estimates on expenditures for the Medicaid program are continuing to decline. He said the department can reduce their general fund appropriation for the Medicaid program by $9,922,454 over this biennium in general funds.

CHAIRMAN COBB asked **Ms. Steinbeck** to address this. **Ms. Steinbeck** informed the committee that before primary care is heard in executive action she will have information in regard to **Dr. Blouke's** concerns. She said in addition to the growth rate reduction, there are other reductions that are causing the

general fund to go down, and are unrelated to primary care growth rate. She said these are some of the policy issues that the committee will have to consider to adopt or not adopt.

CHAIRMAN COBB asked **Mike Billings, Administrator of Operations and Technology Division**, what has been the current growth rate for Medicaid in the last several months in comparison to last year. **Mr. Billings** said he did not have the information at this time, but would get it to the committee members.

CHAIRMAN COBB also questioned what he called the "blip," or Medicaid going up and down, and wanted to know what causes the blip to go up and down on his formula. **Mr. Billings** said it is the growth rate for FY96 and FY 97. He said it dropped to 5.7% in FY 94 due to in-patient physic out of the total. Then is moved up to 8.55 % and 9.26%. He said this may be due to the model not believing that everything is still in a decline. **Mr. Billings** said his model is a 24-month cycle for averages. He said the decline that is taking place at this time is a de-acceleration in growth which is still being pushed by the rapid acceleration that took place in FY93. **Mr. Billings** distributed a handout which addresses the Medicaid Budget expenditures/ projections. **EXHIBIT 1**

SEN. LYNCH asked if the legislature is going to make the hospitals "eat" $2 million because they (the legislators) have found problems in certain areas that shouldn't have been done. **Dr. Blouke** said no. He referred to **Mr. Billings** comments on two of the methods that were used and affected Medicaid costs. He said based on past experiences it is what the department thinks the various service categories will need to spend over the biennium. He said they are projecting 27 months "out" based on six months of 1985 data. He said no one can project if health costs will jump to 23% or go to 18%. **Dr. Blouke** reiterated his comments stating that they do not intend to have anyone "eat" anything, and they have not based their projections on a cut in service.

CHAIRMAN COBB wanted to know how much of the general fund monies have been transferred from the SRS to Family Services in this fiscal year. **Dr. Blouke** said no monies have been transferred so far this fiscal year. **CHAIRMAN COBB** asked if the department will revert any money and/or will there be any money left at the end of this fiscal year. **Dr. Blouke** said yes. The department is projecting a reversion of the $2.1 million general fund out of Medicaid, and approximately $500,000 from the AFDC general fund budget.

CHAIRMAN COBB asked **Dr. Blouke** to address the Medicaid Incentive Algorithm program on the last two pages of Exhibit 1. **Dr. Blouke** said the department is proposing for the coming biennium to provide an incentive for the health care system, i.e., to manage and control utilization. The department is suggesting if the system controls utilization appropriately, an incentive will be

provided, but if the rate of increase goes up there will be a penalty.

CHAIRMAN COBB summarized **Dr. Blouke's** comments, stating that what the department is basically saying is, here is a budget and if a program spends more than what they are allowed, they will be given less money at the end, but if less is spent than what was budgeted, the program will receive back some of the money that was saved. **CHAIRMAN COBB** informed **Dr. Blouke** that most people he has spoken with do not like this "incentive program."

{Tape: 1; Side: A; Approx. Counter: 19.0; Comments: Dr. Blouke is addressing each line of #1 (second to last page and #2 last page of Exhibit 1.}

Dr. Blouke said the department is expecting an 8.6% growth rate in Medicaid between 1995 and 1996. He feels this growth rate will also be the appropriation by the legislature from the department's projection. He said the $304,428,337 will probably be the Medicaid appropriation based on 8.6% growth rate. He said the June projection will be based on information from now until June on expenditures for FY95, than the department will go back and re-calculate their projected expenditures. If the June projection is down to i.e., 8.3%, they will not be spending the entire appropriation level. He discussed the payment level being capped at 100% the first fiscal year, and a floor of 95% on the adjusted payment level. He said if they discover at the end of the fiscal year that the growth rate has been only 8% in controlling utilization, then the actual expenditures for that year would only be $302,791,267. He said there would be no adjustment in this scenario, because they paid 100% of the total allowable costs. This would leave an appropriation balance of $1,637,070, which would be carried over to the next fiscal year.

{Tape: 1; Side: A; Approx. Counter: 28.9; Comments: Dr. Blouke is now going through #2, last page of Exhibit 1.}

Dr. Blouke then described a scenario of a 11.5% growth rate with costs going up. The projection of expenditures would now be $312,605,947 instead of the $304 million that is appropriated. He said the department would take the relationship between the two figures and adjust their payment level to 97.38% of what would have been normally paid, i.e., a doctor charges $100, the department would only pay $97.38. At the end of the fiscal year and review what would have been spent if payment had been made at 100%, the cost would have been $313, a difference of 11.5% to 11.8%. He said the payment would have been only $305 million because they paid at 97.38%. This will reduce the payments by $8.917 million, and will cause a shortage in 1996 of $819,000. He said this negative is carried over into 1997, and subtracted from the 1997 appropriation level, which causes a revised appropriation for 1997 of $328 million.

SEN. LYNCH asked **Dr. Blouke** why he went from 11.8% to 8.2%, and asked if that was the projection when they started. **Dr. Blouke**

informed the committee that is the appropriation. The 8.2% is based on current data.

Dr. Blouke said this information is passed on to the federal government, and at this time there are no significant problems with it.

CHAIRMAN COBB said there is $24 million in supplementals in this committee. He asked in this scenario instead of the $2.1 million being reverted and putting it into the pot because the growth rates are down, would have given a bonus to the providers, if it was only $20 million the providers would have received only 2.5%.

SEN. LYNCH asked where the 8.2% and 8.6% came from. **Dr. Blouke** said Mike Billings does the statistical analysis to give the department their projections. He said the Medicaid budget has been a problem because of a modified pool, i.e., if someone came in for a service today, the department sometimes will not receive the bill until 18 months later. This hinders the department in the knowledge of what their actual costs will be. The projection is based on two issues: 1) date of service; and 2) when the services were provided and what the department paid. **Mr. Billings** makes the projection on date of payment data. He said they have to guess what will happen in the health care system for the next 27 months.

{Tape: 1; Side: A; Approx. Counter: 46.7; Comments: n/a.}

Jim Aherns, Montana Hospital Association, Helena, informed the committee that what was described by **Dr. Blouke** is a great beguiling way to limit what people have to pay for Medicaid care. He said they are talking "risks," and asked "who bears the risk" of people needing more medical care than they should, more people being eligible than what is expected, or the people who are served by the provider community receiving more services than what is predicted. He said the proposal states that the provider community should bear that risk and not the state of Montana.

He gave several reasons why the growth rates are down: medical inflation is down as well as primary care and other incentives to reduce the utilization of services. He said if the hospital has to keep a patient in for two or three extra days, the state will not pay for it, because it is capped. The utilization and payment are disconnected, and the same with out-patient proposals. The state limits what they will pay. He said because of this, the hospitals are insulated from growth in utilization of services. He said the state is receiving a discount that no other insurance company in Montana can get from hospitals. If the economy goes bad, and the eligibility roles burst again, the state is set, because they have the ability to cut down on the rates. He said a lot of the costs in hospitals are mandated by the government. The state sets the projection and control, no matter what the incentive or penalty is to the providers.

Mr. Aherns said they are displacing expensive inpatient services by utilizing outpatient services at a higher rate, and they have had 1,000 fewer discharges. He said "If **Dr. Blouke's** projections are right, everyone will go home and nothing will happen; if he is wrong, then the other people in Montana out of state government who pay their health care bills, will be funding this entitlement through their insurance premiums and out of their checkbook."

{Tape: 1:; Side: A; Approx. Counter: 53.0; Comments: n/a.}

Rose Hughes, Montana Health Care Association, Helena, said that **Dr. Blouke** is correct in stating that if the appropriation is not large enough, rates are cut, and services are cut. She said that nursing homes are a good example of the growth rate because they know what their growth rate will be. It is the one area that the department has been able to keep on target in terms of the budget. She said the utilization goes up approximately 1% per year, and a provider rate increase of approximately 4% per year. The department pays using a formula by placing in the answer first, the (appropriation), then works back through the formula.

Jim Aherns informed the committee that they would be willing to have the hospital association's projections be reviewed by the committee, the department, and the LFA. He said under the scenario, if the association produced the payment level from 97%, and misguessed their projections, they (the hospital association) would refund the difference they had misguessed up to 100%.

CHAIRMAN COBB addressed those in the audience who opposed this proposal, and asked if the legislature had capped HB 285, but by 1999 it would have only had a growth rate of 3% or 4%. He said there would have been a global budget/cap, how would the health care people have existed if health care had gone up.

Mr. Aherns said the provider community that supported HB 285, and with everyone else that wanted health care reform, that "if we can reform the system, then we can began to see the growth in medical services at the same rate of the gross domestic product." He said the point he was trying to make was the inflation in medical costs, but people were thinking of their "own piece of the pie." If the medical system grew at the gross domestic product level, it doesn't mean that Medicaid would grow at the same rate. He said that Medicare grows at six percent per year without any consideration of increase in utilization, payment rates, etc. It is "new" people that have aged to the point that they qualify for Medicare. He said that Medicare expects their expenditures to drop 2% or 3% per year, which will drop costs dramatically to compensate for six percent more people. He said when they speak of restructuring Medicaid, it isn't necessarily to Medicaid's advantage, but he felt that Medicaid will have to come up to a level that the private paying patient has health care access, and receives a break.

Mr. Aherns said that is what restructuring the delivery system in reform is about. The old way of doing business, and the way the government lays it out, is to restructure and bring the costs down for everyone.

CHAIRMAN COBB discussed a meeting he attended in Great Falls with the Board of Elections for the hospital associations. It was stated that the hospitals are not being paid their Medicaid payments until they are brought up to standards. **CHAIRMAN COBB** asked them if the legislature gives them the $40 million, they need will they cut their rates for the rest of the state. He said the hospital association, nor Curt Wilson, Director of the Hospital Association, would not give a commitment. He felt they would keep the money and run with it. **Mr. Aherns** said if the government were to pay their fair share, not just Medicaid, which they are not underpaid by the $40 million, they are underpaid by Medicare by $40 million. It has been estimated that the private patient pays a 25% surcharge, and he asked how they can make up the difference. He said it all depends on what Medicare does, what Medicaid does, and Workers' Compensation because it is also subsidized.

{Tape: 1; Side: 2; Approx. Counter: 000; Comments: n/a.}

CHAIRMAN COBB asked **Lois Steinbeck, LFA**, if she would give the committee an LFA issue report that is similar to what is in the book (Budget Analysis), i.e., if they do this policy, here are the issues that the legislature must look at.

Ms. Steinbeck said she can brief the committee on a few of the issues now. When she was briefed on this proposal by the Department of Social and Rehabilitation Services before the session, she asked them the following questions.

1. How will you protect your methodology from legislators, who understand very clearly that they can come in and reduce the Medicaid appropriation up to one percent or 99%, and two percent or 96%, and etc. She said this is a risk when the department wants to use this methodology. There are many ways to structure reductions that don't look like arbitrary costs that could in fact be the department's purpose.

2. The theory that health care providers will act for the common good. That they will all act controlled utilization so they can all benefit from higher rates. She informed the committee that she would leave it to them to make the judgment if they think that private industry, as a whole, acts for the common good to keep its prices down. She said she wasn't being critical, but was introducing factors the members need to think about.

3. There could be discrimination among providers, those who do try to keep their rates down may be penalized, because other

people will try to use as much Medicaid and services they can to increase their revenue.

4. Aggravate access problems caused by low reimbursement rates.

5. How can the SRS comply with the Borne Amendments. She said that federal regulations require states to reimburse providers for efficient and economical management of hospitals or nursing homes. She questioned whether arbitrary reduction in rates through this methodology or the legislature cutting rates would hold up in court.

6. The month of June may be too late to make this cost estimate. She said the SRS should start as early as January to determine what the growth rates are, and to make provider payment corrections. Some of these issues show up earlier than June. She said they cannot wait until June to decide what their reimbursement rates will be. The Medicaid reimbursement is approximately one percent of the total Medicaid budget, or $3 million in funds. She said this is three percent off trend, and felt that the department should know this before June to make the rate reductions.

7. At the end of the fiscal year, the SRS may not be able to tell whether they can rebate all of the funds to providers and, in principle, give back 100% of the funds. She said that history shows that there have been supplementals for two to three prior years in Medicaid.

8. The Managed Care providers could be protected under this system.

9. There is still a supplemental, if the department reduces rates to 95%, and history has shown there could be an explosion in Medicaid costs.

She closed by stating she didn't know if the legislature needed to pass a law to implement this proposal. She did compliment the department saying this was not an easy issue.

Dr. Blouke responded to **Ms. Steinbeck's** comments as follows:

1. The whole issue is predicated on the department's projections as good as they are, or as bad as they are to be set at 100%. He said if they deviate from the 100%. then their only alternative would be to reduce services immediately. He said when they set rates for nursing homes and hospitals based on what the department staff believes, they will meet the Borne Amendment criteria.

2. There is an access problem with dental which could be solved by cutting it entirely. He said they have sent the information and charts to the regional office in Denver and

they have agreed conceptually that this proposal would meet the Borne Amendment criteria.

3. He discussed the issue of being too late in June to set rates. He said it is complicated in setting the rule for this which has been discussed internally. He said it takes approximately three months to go through the rule process, but the department could explain them as they go through the process and place a time frame on it. The department feels it could meet MAPA and still set the rates in June.

4. He feels there is a way the department would be able to tell at the end of the fiscal year what their expenditures will be to reimburse or refund where they need to.

5. Managed care can be included or excluded.

6. In regard to the supplemental issue, if it doesn't look good in the second year of the biennium the staff will have to start making decisions to cut services.

7. There is no need for a law, because he knew there would be opposition before bringing it into committee.

REP. KASTEN asked **Dr. Blouke** about the competition between providers and is it controlled. **Dr. Blouke** said the health care system cannot be controlled, they have to deal with themselves as a group. The health care system has to begin to control itself.

{Tape: 1; Side: B; Approx. Counter:15.1; Comments: n/a.}

Mona Jamison, Montana Speech, Hearing, and Language Association, said the association includes the speech pathologists, audiologists, and the physical therapists associations. **Ms. Jamison** said the bottom line is if it doesn't work there will be cuts, which will go to the Medicaid optional benefits. **Ms. Jamison** said she represents half of the providers in the state and many other people that receive these services. She said the association "sort of" supports the proposal because it is time to look at something new, but if there is a way of placing the responsibility on the individual providers in terms of utilization, the association is willing to encourage it as an experiment.

Bob Olsen, Montana Hospital Association, distributed and read his testimony that reiterated **Mr. Ahern's** concerns and testimony regarding the Medicaid budget. **EXHIBIT 2**

CHAIRMAN COBB asked **Mr. Olsen** about the table on page 2 of Exhibit 2, if the figures under FY96 and FY97 are the SRS' budget projections. **Mr. Olsen** said yes. He said in the current biennium there was an expectation of $198 million in spending, but the growth rates were not there and the reason the figures are so low. **CHAIRMAN COBB** asked if these figures included

inpatient and outpatient together. **Mr. Olsen** said that is correct. He said that means there is $57.2 million in the line item that the hospital association asked for from the last session. The association didn't object to the many other services paid for out of the $57 million and supported the department to give them the ability to shift and transfer money around. He said this demonstrates to the legislature that if the association can keep their costs down on the impact of the state, the $57 million was used in lieu of making cuts that the legislature wanted the department to make. He asked the committee to remember as they go forward that the legislature appropriated that $73.5 million in FY93, and $72 million in FY95, the state is currently spending less money in this biennium than they did in the previous biennium. He said the growth rates that are predicted for FY96 and FY97, will be $50 million less that the legislature will not be able to appropriate for hospitals. He said this also includes the 4% per year rate increase.

Nancy Ellery, Administrator of Medicaid Services Division, distributed and read her summary on the estimated fiscal impact for FY96 and 97 for outpatient hospital & Residential Treatment Center (RTC), Study for Montana Medicaid. **EXHIBIT 3**

{Tape: 2; Side: A; Approx. Counter: 04.4; Comments: n/a.}

Lois Steinbeck, LFA, informed the committee that the staff from SRS, and DFS, are present and would like to brief the committee on the child care issues that will be voted on in committee tomorrow.

Bob Mullen, Fiscal Officer, Department of Social Services and Rehabilitation (SRS), distributed a handout that gives several options to be used in regard to child care, one at the 75th percentile, and the second option pays for child care at the 98% of 75th percentile rate at which the program is funded through the Executive budget. **Mr. Mullen** said this budget was projected on FY94 appropriated budget, and not the FY94 actual expenditures. He said they are shrinking the days of care on the SRS side. The department is eliminating the "at-risk pilot program." He said there are approximately 10,000 days of care that will no longer be funded in the coming year. The days of care was switched over to the DFS when the "at risk program" transferred over. **CHAIRMAN COBB** asked if these programs were going back to DFS or are they being cut. **Mr. Mullen** thought the "days" were lost as a result of capped funding that is in the SRS appropriation.

Ms. Steinbeck explained that at-risk day care funding is a capped entitlement. She said the federal government will only participate to a certain level. Anything above that level the state must fund at 100% from the general fund instead of 70% from federal funds and 30% federal fund.

CHAIRMAN COBB asked if the $900,000 federal money is one time, and if the funding is available this session. **Ms. Ellery** said there was a problem with the "at risk program." When the program was first started and the money was available, they did not take advantage of it. If the money isn't used in one year, the money transfers forward. **CHAIRMAN COBB** asked if only half of the money that was appropriated last session was spent, and wanted to know if that is what the $400,000 was to be used for. He explained that the legislature gave DFS $400,000 for each year of the biennium, but DFS only spent half of it and wanted to know if that was the money that would have picked up the federal funds. **Ms. Ellery** said no. The At Risk Program is not like other federal programs, the money has to be spent in the program year the unspent federal money can transfer forward. She said by doing this the "old" money can be spent first and they may never touch the current year allocation, because it is always available to them.

CHAIRMAN COBB asked when the welfare reform takes place will it be outside of that cap. **Ms. Ellery** said if they received more general fund, then they can tap into the "old" money and the "new" money. **CHAIRMAN COBB** wanted to know if the 500 mothers that need the money can they can use it now instead of waiting 1½ years from now, and how long would it last if it was used now. **Ms. Ellery** said it is a one time thing, and there wouldn't be any money for the next year. **CHAIRMAN COBB** commented that this is currently a carry-over, but said that Congress will cap all of the daycare and give each of the states their block grants, and he questioned if they should take the money now before it is placed elsewhere.

CHAIRMAN COBB reiterated Exhibit 4. Option #1 is the 75th percentile, and Option #2 is at 98% of the 75th percentile rate. He said the department didn't have to pay the unlicensed daycare and there was extra money they were able to move which would have made it at the 71 percentile rate. The unlicensed daycares are currently at the 75th percentile.

{Tape: 2; Side: A; Approx. Counter: 15.4; Comments: n/a.}

CHAIRMAN COBB asked **Penny Robbe, SRS**, what is being done with the money now, and will there be any in two years. **Ms. Robbe** said if the money was tapped into now, which is one-time federal money, and it does not carry over. She said the only way to continue the program would be to ask for an additional waiver to ask for access the federal money to match the general fund, or just run the general fund program. **CHAIRMAN COBB** commented on this dilemma, and asked "Do you help every one now that wants to work or do you wait for Congress to cut the program?"

CHAIRMAN COBB asked if this money is at risk or is it for all daycare. He was informed that it is all daycare being funded by the DFS and SRS pool funds. **CHAIRMAN COBB** addressed one of the complaints on the floor of the House was the confusion of all the

different daycare programs and the people that did participate, including the poverty qualified people, was how is it determined who the people are that need help the most, or is it first come first serve. Another concern of the legislature was how is it determined that the poverty qualified receive the money first or someone not just taking it for the day.

Ms. Robbe said between the DFS and SRS there are several types of daycare programs offered. She said that some are entitlement programs which do not have a waiting list, i.e., everyone that participates in the JOBS program are provided daycare by law. She spoke of two other programs that are capped entitlement programs. One program is the at risk program and the child care block grant. These programs have specific federal criteria attached and determines who can access these funds. One of the criteria is the means test which is the income tax determination. She said originally the at risk and child care block grant programs were determined by the 185% poverty which would be the cap. She said the action that took place the day before lowered the cap for the "at risk" to 133% poverty cap. This is one of the designs that is taking place in the welfare reform. She said in the future the two departments intend to take all of the child care programs, i.e., at risk and the child care block grant and the child transitional child care program, and add an upper income limit. There is an additional requirement beyond the Means testing for this program. It requires that anyone who wishes to use the at risk program must be working.

CHAIRMAN COBB asked if some of these mothers received AFDC that are using the programs. **Ms. Robbe** said no. A person cannot be an AFDC recipient and receive at risk. **CHAIRMAN COBB** wanted to know what the chances would be of receiving the federal waiver for expanding the at risk program. **Ms. Robbe** said the chances are excellent. She said every state that has asked for the waiver has received it.

{Tape: 2; Side: A; Approx. Counter: 20.0; Comments: The discussion between the committee members and those giving information is not clearly audible due to background voices and noise outside the meeting room.}

CHAIRMAN COBB asked if it is correct in Option #1 that with $56,000 more in general fund for the biennium, it will bring the programs into the 75th percentile. He was informed that is correct.

Ms. Steinbeck said that the SRS based their daycare rates on the appropriated amount in FY94 vs. actual expenditures, and asked how does this compare with AFDC caseloads that are established now. She was informed that the SRS and the DFS are continuing the same number of days of care. The DFS will probably have to cut some days of care as a result of an rate increase.

CHAIRMAN COBB wanted to know what the costs are to fully fund the programs now. **Ms. Robbe** said some of the programs that will be

affected are days of care programs, i.e., "at risk" and "child care block grant" would have an increase in the amount of days if there was an increase.

{Tape: 2; Side: A; Approx. Counter: 32.9; Comments: The following comments were read from written testimony.}

Linda Currie, SRS, distributed testimony and recapped the TEEN/Parent program that was heard in a previous hearing. **EXHIBIT 5**

{Tape: 2; Side: A; Approx. Counter: 45.7; Comments: n/a.}

Ms. Steinbeck discussed and gave a review of the DFS package the committee members will be voting on in tomorrow's meeting. She said the packet has more information than what is currently in the Budget Analysis book. **EXHIBIT 6**

Ms. Steinbeck reviewed the budget items on the first page of Exhibit 6, and the pages where the items could be found. The tables in the packet are different than what is in the Budget Analysis book. She said this committee deals with issues that other committees do not when making appropriations. This committee deals with benefits and entitlements, and make caseload estimates that go back only two to three months of data for FY95 and FY94 is not complete. She informed the committee that they will see new caseload estimates in AFDC, Medicaid, and Foster Care than what was given in the Executive Budget. She outlined the tables starting on page 3 of Exhibit 6. She asked the committee members to review the tables, stating that despite the increase by $1.1 millions total funds uses less general funds than what was proposed in Executive Budget as originally proposed. The reason is the mix of services that have changed, and several funding issues that she has identified that the department is considering, and identify the third funding issue that the department agrees with and offsets general funds. **Ms. Steinbeck** reviewed the tables in Exhibit 6 informing the committee members they will be dealing with four issues: 1) Family Based Services; 2) PIPPS Services; 3) Third party Reimbursements; and 4) In-State Treatment.

Ms. Steinbeck informed the committee members in regard to table 6 of Exhibit 6, that they have previously taken action on child care operating costs, personal services inflation, but not on the contracted services nor the benefits.

Ms. Steinbeck addressed page #1 of Exhibit 6 stating the committee members have only adopted the language of item #1, Program 01 Management Support Services. She said the italicized language are suggested changes to language that has already been considered. She said that **Douglas Schmitz, OBPP**, raised several concerns and addressed the types of services that are funded. She said that **Mr. Schmitz** placed a date in his suggestive provision of October 1, 1996, but she said if the legislature

waits to get the budget until that time, the joint oversight committee will have had its last meeting. **Ms. Steinbeck** said the language provides a requirement of a preliminary budget by September 1, knowing there will be changes in the final Executive Budget.

ADJOURNMENT

Adjournment: 11:10 a.m.

JOHN COBB, Chairman

CLAUDIA A. JOHNSON, Recording Secretary

JC/cj

HUMAN SERVICES AND AGING

Joint Appropriations Subcommittee

ROLL CALL DATE 2-14-95

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	✓		

Lois / Doug

Medicaid Budget Expenditures/Projections

10-Feb-95
02:26 PM

Category of Service		Expended Fiscal 1995 General Fund	Expended Fiscal 1995 Federal Funds	Expended Fiscal 1995 Total Funds	Projected Fiscal 1996 General Fund	Projected Fiscal 1996 Federal Funds	Projected Fiscal 1996 Total Funds	Total Fund Increase FY95-FY96	% Increase FY95-FY96
ICF/Other Noninstitution	07	24,739,586	60,188,618	84,928,203	27,305,103	62,929,869	90,234,972	$5,306,769	6.25%
Inpatient Hospital	01	14,564,999	35,434,998	49,999,998	15,432,600	35,567,400	51,000,000	$1,000,002	2.00%
Physician	09	9,030,300	21,969,701	31,000,001	9,652,248	22,245,464	31,897,712	$897,711	2.90%
Drugs	12	8,170,299	19,877,416	28,047,715	10,265,028	23,657,736	33,922,764	$5,875,049	20.95%
Outpatient Hospital	11	6,408,600	15,591,400	22,000,000	7,593,439	17,500,543	25,093,982	$3,093,982	14.06%
Personal Care Nonwaiver	29	3,192,771	7,767,652	10,960,423	3,344,762	7,708,648	11,053,409	$92,986	0.85%
Durable Medical Equip	46	2,172,143	5,284,577	7,456,720	2,398,624	5,528,091	7,926,715	$469,995	6.30%
Skilled Nursing Facility	04	2,062,188	5,017,071	7,079,260	2,244,833	5,173,649	7,418,482	$339,223	4.79%
Clinic	15	2,008,602	4,886,701	6,895,303	2,204,601	5,080,929	7,285,530	$390,228	5.66%
Coinsurance & Deductible	24	1,865,857	4,539,419	6,405,276	2,167,057	4,994,401	7,161,459	$756,182	11.81%
Other Practicioners	14	1,641,071	3,992,541	5,633,613	1,941,238	4,473,957	6,415,195	$781,582	13.87%
Dental	13	1,358,053	3,303,990	4,662,043	1,529,239	3,524,425	5,053,663	$391,621	8.40%
Disabled Waiver Other	27	985,759	2,398,241	3,384,000	1,123,123	2,588,454	3,711,577	$327,577	9.68%
Home Health	18	984,857	2,396,046	3,380,903	1,355,974	3,125,103	4,481,077	$1,100,174	32.54%
TCM Dev Disable	31	705,467	1,716,322	2,421,789	965,545	2,225,284	3,190,829	$769,040	31.76%
Elderly Waiver Other	25	582,600	1,417,400	2,000,000	809,067	1,864,652	2,673,719	$673,719	33.69%
Fed Qualified Health Centers	34	469,944	1,143,320	1,613,264	577,149	1,330,152	1,907,302	$294,038	18.23%
Rural Health	22	425,477	1,035,138	1,460,616	522,539	1,204,292	1,726,831	$266,216	18.23%
Nursing Home -- Other	51	407,820	992,180	1,400,000	460,336	1,060,932	1,521,268	$121,268	8.66%
Nurse Specialist	55	352,277	857,050	1,209,327	542,787	1,250,956	1,793,743	$584,416	48.33%
Sterilizations	19	314,110	764,194	1,078,304	363,648	838,098	1,201,746	$123,442	11.45%

EXHIBIT 1
DATE 2/14/95
SB 469

Medicaid Budget Expenditures/Projections

10-Feb-95
02:26 PM

Category of Service		Expended Fiscal 1995 General Fund	Expended Fiscal 1995 Federal Funds	Expended Fiscal 1995 Total Funds	Projected Fiscal 1996 General Fund	Projected Fiscal 1996 Federal Funds	Projected Fiscal 1996 Total Funds	Total Fund Increase FY95-FY96	% Increase FY95-FY96
EPSDT	21	303,928	739,422	1,043,349	319,861	737,182	1,057,044	$13,695	1.31%
Physician Case Management	10	289,372	704,009	993,381	355,385	819,052	1,174,437	$181,056	18.23%
Elderly Waiver CMT 519	26	274,225	667,160	941,385	354,770	817,636	1,172,406	$231,021	24.54%
Eyeglasses	47	218,106	530,628	748,734	271,880	626,600	898,480	$149,746	20.00%
Ambulance	50	215,268	523,723	738,991	196,330	452,481	648,811	($90,179)	-12.20%
ICF/MR Private	06	180,341	438,748	619,089	203,380	468,729	672,109	$53,020	8.56%
Disabled Waiver CMT 519	28	177,860	432,714	610,574	186,794	430,504	617,298	$6,724	1.10%
Laboratory & Radiology	17	169,353	412,017	581,370	174,247	401,585	575,832	($5,538)	-0.95%
Hospice	33	114,919	279,585	394,504	141,135	325,272	466,407	$71,903	18.23%
Transportation & Per	48	71,148	173,094	244,242	92,918	214,147	307,065	$62,823	25.72%
Air Ambulance	64	68,986	167,834	236,820	84,723	195,260	279,983	$43,163	18.23%
Hearing Aids	42	65,931	160,402	226,333	74,599	171,929	246,528	$20,195	8.92%
Personal Care	43	60,952	148,289	209,240	88,538	204,053	292,590	$83,350	39.83%
TCM Pregnant Women	32	54,035	131,462	185,497	57,208	131,848	189,056	$3,560	1.92%
Family Planning	45	43,612	106,104	149,716	49,434	113,931	163,365	$13,649	9.12%
Non Emergency Transpor	49	27,817	67,676	95,493	32,910	75,847	108,757	$13,264	13.89%
EPSDT	41	16,700	40,628	57,328	20,509	47,267	67,776	$10,449	18.23%
F Q Health Ctrs Case Mgmt	35	9,661	23,505	33,166	11,865	27,346	39,211	$6,045	18.23%
Home Dialysis	44	8,529	20,751	29,280	3,792	8,740	12,532	($16,748)	-57.20%
Rehabilitation	53	5,524	13,439	18,962	5,848	13,478	19,326	$364	1.92%

Medicaid Budget Expenditures/Projections

10-Feb-95
02:26 PM

Category of Service		Expended Fiscal 1995 General Fund	Expended Fiscal 1995 Federal Funds	Expended Fiscal 1995 Total Funds	Projected Fiscal 1996 General Fund	Projected Fiscal 1996 Federal Funds	Projected Fiscal 1996 Total Funds	Total Fund Increase FY95-FY96	% Increase FY95-FY96
Nursing Spec Case Mgmt	39	4,793	11,661	16,454	5,887	13,567	19,453	$2,999	18.23%
Rural Health Case Management	23	1,692	4,117	5,810	2,079	4,790	6,869	$1,059	18.23%
Nutrition	54	1,309	3,184	4,493	1,607	3,705	5,312	$819	18.23%
Fraud & Abuse Recoveries	A4	(49,521)	(120,479)	(170,000)	(51,442)	(118,558)	(170,000)	$0	0.00%
TPL Refunds	A1	(777,645)	(1,891,922)	(2,669,567)	(869,306)	(2,003,483)	(2,872,789)	($203,222)	7.61%
Hospital & Home Health Settlements	A3	(805,429)	(1,959,518)	(2,764,947)	(796,429)	(1,835,525)	(2,631,954)	$132,993	-4.81%
Drug Rebates	A2	(1,524,714)	(3,709,456)	(5,234,170)	(1,697,448)	(3,912,095)	(5,609,543)	($375,373)	7.17%
SUBTOTAL		81,669,533	198,692,751	280,362,285	92,120,015	$212,308,322	$304,428,337	$24,066,053	8.58%

Medicaid Budget Expenditures/Projections Non SRS

ICF/MR Public	05	4,298,658	10,458,150	14,756,809	4,922,761	11,345,450	16,268,211	$1,511,402	10.24%
Resident Psych Facility	03	4,237,465	10,309,275	14,546,740	5,204,135	11,993,931	17,198,066	$2,651,326	18.23%
TCM Chron Mentally Ill	30	1,360,487	3,309,910	4,670,397	1,670,847	3,850,789	5,521,636	$851,239	18.23%
ICF/Other Institution	08	1,122,849	2,731,766	3,854,615	1,180,140	2,719,860	3,900,000	$45,385	1.18%
Therapeutic Group Homes	36	1,026,116	2,496,423	3,522,539	1,260,198	2,904,368	4,164,566	$642,027	18.23%
Educational Provider	65	100,127	243,598	343,725	122,969	283,405	406,373	$62,648	18.23%
SUBTOTAL		12,145,703	29,549,123	41,694,825	14,361,049	$33,097,803	$47,458,852	$5,764,026	13.82%
TOTAL MEDICAID		93,815,236	228,241,874	322,057,110	106,481,063	$245,406,126	$351,887,189	$29,830,079	9.26%

Based on First seven months Fiscal 1995

Medicaid Budget Expenditures/Projections

11-Feb-95
10:23 AM

Category of Service		Projected Fiscal 1996 General Fund	Federal Funds	Total Funds	Projected Fiscal 1997 General Fund	Federal Funds	Total Funds	Total Fund Increase FY96-FY97	% Increase FY96-FY97
ICF/Other Noninstitution	07	27,305,103	62,929,869	90,234,972	29,695,631	66,096,726	95,792,357	$5,557,385	6.16%
Inpatient Hospital	01	15,432,600	35,567,400	51,000,000	16,120,000	35,880,000	52,000,000	$1,000,000	1.96%
Drugs	12	10,265,028	23,657,736	33,922,764	12,718,815	28,309,621	41,028,437	$7,105,673	20.95%
Physician	09	9,652,248	22,245,464	31,897,712	10,442,870	23,243,806	33,686,676	$1,788,964	5.61%
Outpatient Hospital	11	7,593,439	17,500,543	25,093,982	8,873,157	19,749,930	28,623,088	$3,529,106	14.06%
Personal Care Nonwaiver	29	3,344,762	7,708,648	11,053,409	3,455,627	7,691,557	11,147,185	$93,775	0.85%
Durable Medical Equip	46	2,398,624	5,528,091	7,926,715	2,612,164	5,814,170	8,426,334	$499,619	6.30%
Skilled Nursing Facility	04	2,244,833	5,173,649	7,418,482	2,389,483	5,318,527	7,708,010	$289,528	3.90%
Clinic	15	2,204,601	5,080,929	7,285,530	2,386,331	5,311,511	7,697,842	$412,312	5.66%
Coinsurance & Deductible	24	2,167,057	4,994,401	7,161,459	2,482,143	5,524,770	8,006,913	$845,454	11.81%
Other Practicioners	14	1,941,238	4,473,957	6,415,195	2,264,615	5,040,594	7,305,209	$890,015	13.87%
Dental	13	1,529,239	3,524,425	5,053,663	1,698,236	3,779,945	5,478,181	$424,518	8.40%
Home Health	18	1,355,974	3,125,103	4,481,077	1,841,170	4,098,087	5,939,257	$1,458,180	32.54%
Disabled Waiver Other	27	1,123,123	2,588,454	3,711,577	1,151,773	2,563,625	3,715,398	$3,821	0.10%
TCM Dev Disable	31	965,545	2,225,284	3,190,829	983,873	2,189,911	3,173,784	($17,045)	-0.53%
Elderly Waiver Other	25	809,067	1,864,652	2,673,719	827,893	1,842,729	2,670,622	($3,097)	-0.12%
Fed Qualified Health Centers	34	577,149	1,330,152	1,907,302	699,029	1,555,903	2,254,931	$347,630	18.23%
Nurse Specialist	55	542,787	1,250,956	1,793,743	824,780	1,835,801	2,660,581	$866,838	48.33%
Rural Health	22	522,539	1,204,292	1,726,831	632,886	1,408,682	2,041,568	$314,737	18.23%

Medicaid Budget Expenditures/Projections

11-Feb-95
10:23 AM

Category of Service		Projected Fiscal 1996 General Fund	Federal Funds	Total Funds	Projected Fiscal 1997 General Fund	Federal Funds	Total Funds	Total Fund Increase FY96-FY97	% Increase FY96-FY97
Nursing Home -- Other	51	460,336	1,060,932	1,521,268	512,442	1,140,597	1,653,040	$131,772	8.66%
Eyeglasses	47	256,750	591,730	848,480	334,236	743,944	1,078,180	$229,700	27.07%
Sterilizations	19	363,648	838,098	1,201,746	415,189	924,130	1,339,319	$137,573	11.45%
Physician Case Management	10	355,385	819,052	1,174,437	430,433	958,060	1,388,493	$214,056	18.23%
EPSDT	21	319,861	737,182	1,057,044	331,985	738,934	1,070,918	$13,874	1.31%
Elderly Waiver CMT 519	26	354,770	817,636	1,172,406	363,741	809,618	1,173,359	$953	0.08%
ICF/MR Private	06	203,380	468,729	672,109	242,457	539,662	782,119	$110,010	16.37%
Ambulance	50	196,330	452,481	648,811	176,587	393,049	569,636	($79,175)	-12.20%
Disabled Waiver CMT 519	28	186,794	430,504	617,298	191,559	426,374	617,933	$635	0.10%
Laboratory & Radiology	17	174,247	401,585	575,832	176,807	393,539	570,346	($5,486)	-0.95%
Hospice	33	141,135	325,272	466,407	170,939	380,477	551,416	$85,009	18.23%
Transportation & Per	48	81,298	187,368	268,666	91,615	203,918	295,533	$26,867	10.00%
Personal Care	43	88,538	204,053	292,590	126,834	282,308	409,143	$116,552	39.83%
Air Ambulance	64	84,723	195,260	279,983	102,614	228,399	331,014	$141,957	75.09%
Hearing Aids	42	74,599	171,929	246,528	83,243	185,282	268,525	$21,997	8.92%
TCM Pregnant Women	32	57,208	131,848	189,056	59,732	132,952	192,685	$3,628	1.92%
Family Planning	45	49,434	113,931	163,365	55,260	122,998	178,259	$14,893	9.12%
Non Emergency Transpor	49	32,910	75,847	108,757	38,397	85,465	123,863	$15,106	13.89%

Medicaid Budget Expenditures/Projections

11-Feb-95
10:23 AM

Category of Service		Projected Fiscal 1996 General Fund	Projected Fiscal 1996 Federal Funds	Projected Fiscal 1996 Total Funds	Projected Fiscal 1997 General Fund	Projected Fiscal 1997 Federal Funds	Projected Fiscal 1997 Total Funds	Total Fund Increase FY96-FY97	% Increase FY96-FY97
EPSDT	41	20,509	47,267	67,776	24,840	55,289	80,129	$12,353	18.23%
F Q Health Ctrs Case Mgmt	35	11,865	27,346	39,211	14,371	31,987	46,358	$7,147	18.23%
Nursing Spec Case Mgmt	39	5,887	13,567	19,453	7,130	15,869	22,999	$3,546	18.23%
Rehabilitation	53	5,848	13,478	19,326	6,106	13,591	19,697	$371	1.92%
Home Dialysis	44	3,792	8,740	12,532	1,663	3,701	5,364	($7,168)	-57.20%
Rural Health Case Management	23	2,079	4,790	6,869	2,517	5,603	8,121	$1,252	18.23%
Nutrition	54	1,607	3,705	5,312	1,947	4,333	6,280	$968	18.23%
Fraud & Abuse Recoveries	A4	(51,442)	(118,558)	(170,000)	(52,700)	(117,300)	(170,000)	$0	0.00%
Hospital & Home Health Settlemen	A3	(796,429)	(1,835,525)	(2,631,954)	(809,228)	(1,801,186)	(2,610,414)	$21,540	-0.82%
TPL Refunds	A1	(869,306)	(2,003,483)	(2,872,789)	(980,725)	(2,182,904)	(3,163,629)	($290,840)	10.12%
Drug Rebates	A2	(1,697,448)	(3,912,095)	(5,609,543)	(2,103,211)	(4,681,341)	(6,784,553)	($1,175,010)	20.95%
SUBTOTAL		92,093,265	212,246,673	304,428,337	$102,117,256	$227,293,247	$329,501,016	$25,072,679	8.24%

Medicaid Budget Expenditures/Projections

11-Feb-95
10:23 AM

Category of Service		Projected Fiscal 1996 General Fund	Federal Funds	Total Funds	Projected Fiscal 1997 General Fund	Federal Funds	Total Funds	Total Fund Increase FY96-FY97	% Increase FY96-FY97
Medicaid Budget Expenditures/Projections Non SRS									
Resident Psych Facility	03	5,204,135	11,993,931	17,198,066	6,303,115	14,029,514	20,332,630	3,134,564	18.23%
ICF/MR Public	05	4,922,761	11,345,450	16,268,211	5,277,832	11,747,432	17,025,264	757,053	4.65%
TCM Chron Mentally Ill	30	1,670,847	3,850,789	5,521,636	2,023,687	4,504,336	6,528,023	1,006,387	18.23%
Therapeutic Group Homes	36	1,260,198	2,904,368	4,164,566	1,526,319	3,397,291	4,923,610	759,044	18.23%
ICF/Other Institution	08	1,180,140	2,719,860	3,900,000	1,240,000	2,760,000	4,000,000	100,000	2.56%
Educational Provider	65	122,969	283,405	406,373	148,936	331,504	480,440	74,067	18.23%
SUBTOTAL		14,361,049	33,097,803	47,458,852	16,519,890	36,770,077	53,289,967	$5,757,048	12.29%
TOTAL MEDICAID		106,454,314	245,344,476	351,887,189	118,637,146	264,063,324	382,790,983	$30,829,727	8.78%

* Based on first seven months of data for Fiscal 1995

Executive Budget
Expenditure Comparison 1995 Biennium and 1997 Biennium

SRS Medicaid Program expenditures

	Total Funds	General Fund	Total Fund Percent Increase	Increased Gen Fund	Gen Fund Percent Increase
Fiscal 1994	259,244,000	75,128,000			
Fiscal 1995	280,362,285	81,669,533	8.15%	$6,541,533	8.71%
Biennium	$539,606,285	$156,797,533			
Fiscal 1996	304,428,337	92,120,015	8.58%	$10,450,482	12.80%
Fiscal 1997	329,410,503	102,117,256	8.21%	$9,997,241	10.85%
Biennium	$633,838,840	$194,237,271	17.46%	$37,439,738	23.88%

Non-SRS Medicaid Program expenditures

	Total Funds	General Fund	Total Fund Percent Increase	Increased Gen Fund	Gen Fund Percent Increase
Fiscal 1994	36,679,000	10,630,000			
Fiscal 1995	41,694,825	12,145,703	13.67%	$1,515,703	14.26%
Biennium	$78,373,825	$22,775,703			
Fiscal 1996	47,458,852	14,361,049	13.82%	$2,215,346	18.24
Fiscal 1997	53,289,967	16,519,890	12.29%	$2,158,841	15.03%
Biennium	$100,748,819	$30,880,939	28.55%	$8,105,236	35.59%

All State Medicaid Expenditures

	Total Funds	General Fund	Total Fund Percent Increase	Increased Gen Fund	Gen Fund Percent Increase
Fiscal 1994	295,923,000	85,758,000			
Fiscal 1995	322,057,109	93,815,235	8.83%	$8,057,235	9.40%
Biennium	617,980,109	179,573,235			
Fiscal 1996	351,887,188	106,481,072	9.26%	$12,665,837	13.50%
Fiscal 1997	382,790,982	118,665,205	8.78%	$12,184,133	11.44%
Biennium	734,678,170	225,146,277	18.88%	$45,573,042	25.38%

MEDICAID INCENTIVE ALGORITHIM #1

			Fiscal 1996		Fiscal 1997
1.	Legislative Appropriation	8.6%	304,428,337	8.2%	329,501,016
2.	Prior Year Carry Over		$0		$1,637,070
3.	Revised Appropriation		$304,428,337		$331,138,086
4.	Projected Expenditure	8.3%	$303,632,354	7.5%	$325,500,612
5.	Adjusted Payment Level		100.00%		101.73%
6.	Actual Expenditures @100%	8.0%	$302,791,267	6.5%	$322,472,699
7.	Adjusted Payment Level		$302,791,267		$328,057,732
8.	Underpayment/(Adjustment).		$0		($5,585,033)
9.	Appropriation Balance		$1,637,070		$3,080,354
10.	Refund		$0		$0
11.	Adjusted Appropriation Balance		$1,637,070		$3,080,354
12.	Incentive Payment				$3,080,354

Biennium summary

Final Appropriation Balance for the Biennium	$0
General Fund Balance	$0
Total Underpayment/(Adjustment)	($8,665,387)
Underpayment/(Adjustment) as a Percent of Actual expenditures	-1.39%
Perecent of Medcaid Allowed that was Actually Paid	101.39%

MEDICAID INCENTIVE ALGORITHIM #2

			Fiscal 1996		Fiscal 1997
1.	Legislative Appropriation	8.6%	304,428,337	8.2%	329,501,016
2.	Prior Year Carry Over		$0		($819,090)
3.	Revised Appropriation		$304,428,337		$328,681,926
4.	Projected Expenditure	11.5%	$312,603,947	10.2%	$345,416,427
5.	Adjusted Payment Level		97.38%		95.16%
6.	Actual Expenditures @100%	11.8%	$313,445,034	10.5%	$346,356,762
7.	Adjusted Payment Level		$305,247,427		$329,576,705
8.	Underpayment/(Adjustment)		$8,197,607		$16,780,057
9.	Appropriation Balance		$0		$0
10.	Refund		$0		$0
11.	Adjusted Appropriation Balance		($819,090)		($894,778)
12.	Incentive Payment				$0

Biennium summary

Final Appropriation Balance for the Biennium	($894,778)
General Fund Balance	($277,381)
Total Underpayment/(Adjustment)	$24,977,664
Underpayment/(Adjustment) as a Percent of Actual expenditures	3.79%
Perecent of Medcaid Allowed that was Actually Paid	96.21%

EXHIBIT 2
DATE 2/14/95
SB SRS

TESTIMONY

TO THE

APPROPRIATIONS COMMITTEE
SENATE FINANCE AND CLAIMS
JOINT HUMAN SERVICES
SUBCOMMITTEE

BY THE

MONTANA HOSPITAL
ASSOCIATION

February 14, 1995

INTRODUCTION

In January, when this committee first began its work, MHA told you that hospitals had four major budget priorities for this session. These priorities include:

- **A DRG payment rate increase for inpatient hospital services, as proposed in the governor's budget;**
- **Reinstatement of a hospital payment line item in HB 2;**
- **Enactment of legislation ensuring that Medicaid's managed care plan will provide access to appropriate health care services for beneficiaries and adequate and reasonable payments for providers; and,**
- **A halt to development of the Medicaid outpatient payment system recommended by Abt, Associates.**

There is a great deal of pressure to hold state spending down, and thereby deliver a smaller, more efficient government to the people of Montana.

When it comes to health care the public message is clear: **Health care should cost less, but people don't want the quality of care they receive compromised.** This means that people think medical care should be delivered in the most effective manner possible, in the least costly setting. People also believe health care's administrative costs should be lowered. MHA believes hospitals are one part of the health care spectrum that is successfully responding to that message. SRS' recent budget figures certainly show that hospitals are working toward that end.

Inpatient hospital use by all payers, including Medicaid is declining. Much of this decline is due to development of better outpatient care, in both the outpatient hospital and community settings. Hospitals play a central role in developing those less costly options. Some of these options include home infusion therapy, home health care, subacute care and transitional nursing care.

Outpatient hospital spending is growing faster than inflation. This is because hospitals work very hard at reducing more costly inpatient care by higher use of the lower cost setting. An example of this new ethic is the observation bed. Patients who were previously admitted for observation and tests are now evaluated in outpatient areas. Patients who were admitted the day prior to surgery are now admitted the day of surgery, and tests needed before admission are done on an outpatient basis. **These changes, along with speedier discharges from inpatient care, have resulted in the average length of inpatient stay to drop to 4.94 days, the lowest level ever recorded by hospitals.**

Meanwhile, hospitals have undertaken the painful staff layoffs that come with less use of inpatient care. Many of these layoffs are taking place at the management level. News accounts of hospital layoffs have become all too common, **and there will undoubtedly be more in the future.** Hospitals foresee drastic changes in the way services are delivered in the future. **For this reason, hospitals are asking state legislators to resist adding any new bureaucracy to the Medicaid program.**

MEDICAID GROWTH

In recent years, hospitals have served as the pocket into which the Legislature dipped when budget shortfalls forced additional cutbacks in Medicaid services. For example, hospital payments under the **Medicaid DRG payment system were reduced from 97% of actual costs to 93%, a 4% rate cut. Hospital copayments were increased from $3 per day, (about $12 per admission) to $100 per admission. The hospital benefit for youth psychiatric care was ended entirely,** which resulted in the closure of Rivendell Hospital in Billings.

All of these cuts were made because the state feared high growth rates. **But hospital Medicaid payments are not growing.** In fact, just the opposite is true. According to SRS' revised budget figures, payments to hospitals have been significantly less than the amount of general fund money appropriated by the previous Legislature. **Over the next biennium, hospitals are expected to consume fewer general fund and total Medicaid funds than appropriated in FY 94-95.** These projections include a modest increase in DRG payments that will enable hospitals to offset some of the increases in their costs for treating Medicaid beneficiaries.

Table 1 below demonstrates that the Department overestimated the growth curve attributed to hospital services. **Fewer inpatient admissions to hospitals, lower inpatient payment rates and a switch of patient care from inpatient to outpatient settings combined to lower hospital spending from previous years.**

TABLE 1	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997
BUDGET	N/A	$94,149,834	$104,073,551	$76,093,982	$80,623,088
AMT. SPENT	73,855,911	$68,921,990	$72,000,000		
NET		**$25,227,844**	**$32,073,551**		

Source: Medicaid Services Division. FY 1993 from Expenditure estimate 12/20/93. Budget figures for FY 94,94:HB2, special session, FY 96,97:SR55 Amount Spent from SRS estimates, 2-95.

Medicaid represents about 10 percent of a typical Montana hospital's business. Medicare, on the other hand, represents about 40 percent, and CHAMPUS, Indian Health and Workers' Comp are other important government sponsored payers. Together, **government payers account for at least 50 percent of a hospital's business**, with some hospitals closer to 70 percent. St. Luke's Hospital in Ronan is even higher, at about 90 percent government funded health care.

When a hospital cuts its costs by $1, Medicaid saves about $.10, and the state general fund is reduced by $.03. But when Medicaid cuts $1 in payments, hospitals

can't make up the difference from Medicare or other government payers. The $1 must come from private payers, so charges climb by $2. MHA notes that the state general fund saves $.30, but Montanans who pay their own bills see $2 more in their costs.

This is an important factor to consider. **The public wants hospitals, as well as other providers, to cut the cost of health care.** Providers told legislators their goal was to reduce the growth in medical expenditures to the same levels as the Gross Domestic Product by 2000. **MHA believes that if government payers continue to add new rules and regulations while cutting payments, private payers will not see that lower inflationary growth.**

INPATIENT CARE

Hospitals admitted 1,000 fewer Medicaid patients in FY 1994 than FY 1993. The most common procedure provided by hospitals to Medicaid eligible persons is not dramatic, life saving care. Its delivering babies and caring for new mothers. Hospitals admitted about 15,000 patients in FY 94. From a list of most frequent reasons for hospitalization, **7,106 admissions were related to delivering babies. Hospitals were paid about $13 million for that care.**

But hospitals also provided $4.4 million of care for what SRS considers "catastrophic" cases. Most of that care was provided to low birthweight babies. For that care, **hospitals were paid less than $.50 on the dollar,** or $1.7 million. (Source: Medicaid Program Monitoring Report 1/13/95). Other common reasons for admitting people to the hospital are pneumonia, psychiatric care, trauma services and complicated surgeries.

Medicaid requests $3.8 million in new spending to provide a small rate increase to hospitals. But Medicaid also includes the following cost savings proposals, many of which are aimed at hospitals. We might not have a good breakdown on who is expected to see lower utilization, but SRS explanations make us believe a substantial portion of the savings will come from hospitals. The cost savings include:

PROPOSAL	NEW ADMIN. SRS	BENEFIT SAVINGS	NET SAVINGS
Passport/HMO (B-62)	$1.9 million	$3.2 million	$1.3 million
Utilization Review (B-64)	$1.0 million	$2.5 million	$1.5 million
Personal Health Contract (B-68)	$.8 million	$1.6 million	$.8 million
Outpatient Hospital (B-69)	$74,000	-0-	-0-
Mental Health Mgd Care (B-69)	-0-	$2.1 million	$2.1 million
Totals	$3.774 million	$9.4 million	$5.7 million

MHA is more than a little skeptical that SRS can achieve the savings that are in the proposed budget. And some of the items make us wonder how they all fit together. For example, the Personal Health Management Contract presumes that recipients will call an out-of-state nurse professional for advice on minor medical issues and which medical provider they should see. But many Medicaid recipients are supposed to call their Passport physician for that information, and are required to gain the Passport physician's authorization prior to being served by anyone. Additionally, many Montana community hospitals offer the same service at no cost to the public. **MHA urges this committee to carefully scrutinize SRS' requests for new bureaucracy. MHA also forewarned the Department not to reduce the budget in anticipation of managed care savings. MHA believes the Department should save the money first, then start counting it.**

HOSPITAL SUPPORT FOR MANAGED CARE PROGRAMS

Merely reducing the amount paid for health care services does nothing to control cost growth. Hospitals believe the most effective way to control health care cost increases is through market-based reform of the health care delivery system. Specifically **hospitals advocate changing the way health care services are delivered to allow medical providers to provide care more efficiently, reduce overhead costs and improve the health status of Montanans.**

Hospitals applaud moves such as the development of managed care systems because we believe they can lead to this kind of restructuring of the health care delivery system. **And, in principle, MHA supports the development of a managed care system for the Medicaid program.**

However, any managed care must be constructed thoughtfully and carefully. Access to appropriate care and quality of care must not be sacrificed in an effort to reduce Medicaid payments to providers. For this reason, **MHA will ask the Legislature to approve legislation that will spell out how a Medicaid managed care system should be structured and operated.**

MHA's bill will not try to undo the Department's efforts to develop a managed care program; nor will it strive to carve out market protection for any vested interest. The bill would establish the ground rules for managed care, and seek to address the key interests of medical providers, consumers and the state.

OUTPATIENT HOSPITAL PAYMENTS

The Department, with MHA's support, contracted with Abt Associates to study the outpatient hospital payment system. The study was intended to learn what services hospitals provided in the outpatient setting, and whether alternate payment strategies could be developed to control cost growth in this program.

The original program goals as stated in Abt, Associates April 22, 1994 briefing were: "Simple to understand, to implement, and to operate. Reward efficiency in

outpatient services. Fair treatment of hospitals facing differing case mixes and input costs." Abt also told hospitals that his group did not see any good prospective models to borrow from other states.

In an April 28, 1994 letter, MHA told Abt, Associates that "MHA agrees that too much primary care is delivered in hospital emergency rooms. But Montana suffers from a shortage of primary care physicians which makes the emergency room a critical point of access for low income persons. MHA believes that low physician payment policies exacerbate this problem.... MHA urges you to recommend SRS take steps in the physician program to improve access to community physician services and thus reduce the reliance on emergency room care." MHA went on to advise "MHA also believes any proposal to reimburse Montana hospitals on a prospective payment system which encourages fewer services must include parallel incentives in the physician program. SRS should be advised to align provider incentives in any payment system adopted for Medicaid." Finally, MHA told Abt, Associates that "MHA is concerned about the administrative burden a new payment system would impose on providers. SRS must take care not to increase the overhead cost of delivering care when designing a payment methodology."

MHA never received the courtesy of a response to that letter. MHA reiterated our concerns to SRS after the final report was presented to the Department and shared with us. SRS, in January, told MHA that the project would commence, without any written response to our objections.

It is very important to understand why MHA and SRS don't agree on the recommendations to change the outpatient payment system. **When MHA and hospitals talk about cost containment, we mean the cost to deliver care to all of our customers. When SRS talks about cost containment, they mean the number of dollars Medicaid pays for care.**

Abt recommended a variety of payment strategies that are neither simple, nor, in our view, do they reduce costs. **Abt's proposal increases our administrative costs, period.** We also believe that, over time, they will reduce hospital payments and shift more costs to private insurance and self-paying patients. **We urge this committee to deny SRS the staff and budget funding needed to develop these new programs.**

Our primary reason for adopting this position is that the state's supply of health care providers just can't provide the kinds of services that would be required under this plan. One of the most important findings of the Abt study was that hospitals provide a tremendous amount of routine, primary care in the emergency room. **We agree that reducing emergency room use can mean substantial savings to the Medicaid program and hospitals alike.**

But reductions in the use of the emergency room for primary care is not something that will happen just by imposing a new payment scheme. **It can only be achieved with an increase in the number of primary care physicians willing to treat Medicaid beneficiaries in their office.** None of Abt, Associates' recommendations address that

issue. Improvements to the Passport program and development of managed care are two important ways to address this concern, but our bottom line is that SRS should not be allowed to proceed with its proposed outpatient payment scheme until the issue is addressed.

Complicating the issue further, new federal regulations make it harder than ever to reduce inappropriate use of emergency room services. **So-called anti-dumping rules require hospitals to treat anyone entering the facility. Failure to comply with the laws can mean a fine of up to $50,000 per case in larger hospitals, and expulsion from the Medicare and Medicaid programs.** So are hospitals justified in their fears? According to HCFA, Montana leads the Rocky Mountain Region in anti-dumping investigations, and 7 of 8 investigations have been determined to be violations of federal law.

Compliance with the anti-dumping regulations is expensive and time-consuming. **The laws require hospitals to provide at a minimum a medical screening examination to every patient who enters the emergency room—regardless of how minor their complaint might be.** Hospitals aren't required to treat cases that aren't true emergencies, **but the government decides if the hospital's decision is right after the fact.**

As a result, **hospitals are being asked to do two very different things by government regulators.** On one hand, hospitals should refuse to serve people who misuse the emergency room. On the other, hospitals can be severely penalized if they refuse to serve someone the government later decides should have received care.

SRS is proposing to adopt a $20 fee for the legally-required screening exam in order to "encourage" hospitals to refuse care. MHA opposes this plan. Hospitals could incur many times the proposed fee in providing the legally-required care. This proposal is ridiculous, and we hope you will prohibit the Department from moving forward.

MISCELLANEOUS LANGUAGE ISSUES

MHA supported language in the last budget year whereby SRS could transfer benefit money to administrative uses if the money could be used to implement projects that reduced Medicaid spending. **MHA reasoned that too often, good ideas had to come before the legislature and potential savings were deferred until after session.** The legislature approved the transferability, and SRS did transfer funds.

But SRS did not transfer funds to implement cost containment ideas. SRS made the largest transfers to expand benefits even further, and to bail out the Department of Family Services.

Now we are gathered at these hearings, and bemoan the continued high growth rate in Medicaid spending. **MHA urges the legislature to end this transfer authority.** This is especially true since SRS Director Peter Blouke revealed his plans to cap Medicaid expenditures, and place providers at risk for any overspending the Department incurs.

CONCLUSION

MHA understands this committee is going to make difficult decisions. You've heard conflicting points of view, and may not be sure which votes will address the problem of Medicaid growth. **MHA suggests that when you find time, visit the local hospital. Ask to see the business office and emergency rooms.** Talk with the local doctors and nurses about what they think about Medicaid. Its in this type of setting that you'll see the truth of the matter, and better understand the complexity of the issue.

In conclusion, we appreciate this opportunity to present our concerns to the subcommittee. As we stated, we have four priorities for this legislative session:

- **A DRG payment rate increase for inpatient hospital services, as proposed in the governor's budget;**
- **Reinstatement of a hospital payment line item in HB 2;**
- **Enactment of legislation ensuring that Medicaid's managed care plan will provide access to appropriate health care services for beneficiaries and adequate and reasonable payments for providers; and,**
- **A halt to development of the Medicaid outpatient payment system recommended by Abt and Associates.**

Please don't hesitate to call on us if you need additional technical information or if you have additional questions.

Thank you. We look forward to working with you in the weeks ahead as you act on HB 2.

EXHIBIT 3
DATE 2/14/95
SB 185

DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

MARC RACICOT
GOVERNOR

PETER S. BLOUKE, PhD
DIRECTOR

STATE OF MONTANA

P.O. BOX 4210
HELENA, MONTANA 59604-4210

February 13, 1995

Representative John Cobb
Montana House of Representatives
Capitol Station
Helena, Montana 59620

Dear Representative Cobb:

My staff have completed the attached summary of the expected savings associated with the implementation of the outpatient hospital study by ABT Associates. The summary reflects savings associated with the outpatient hospital program and the residential psychiatric services program totaling $1,495,024 over the biennium. I hope this information meets your requirements on this program. If you have any other questions or need further information, please call me at 444-4141.

Sincerely,

Nancy

Nancy Ellery, Administrator
Medicaid Services Division

Attachment

SUMMARY - ESTIMATED FISCAL IMPACT FOR 1996 & 1997
OUTPATIENT HOSPITAL & RTC STUDY
MONTANA MEDICAID
JANUARY 1995

	Fiscal Year 1996				Fiscal Year 1997		
	Federal	State	Total		Federal	State	Total
OP Hosp	($110,747)	($48,053)	($158,800)		($553,489)	($248,669)	($802,158)
RTC's	($372,458)	($161,608)	($534,066)		$0	$0	$0
Total	($483,205)	($209,661)	($692,866)		($553,489)	($248,669)	($802,158)

The Department plans to implement the Abt associates recommendation in two phases over the 1997 biennium.

PHASE 1 - Fiscal Year 1996 (Effective Date July 1, 1995)
- Emergency Room/Screen Fee and Clinic Services
- Dialysis Services
- Laboratory Services
- Partial Hospitalization/Day Treatment Services
- Imaging and Other Diagnostic services
- Residential Treatment Center (RTC) Services (Effective Date January1, 1996)

PHASE 2 - Fiscal Year 1997 (Effective Date July 1, 1996)
- Ambulatory Surgery (DPG's)
- Therapies
- Observation Beds
- Other Visits

NOTE: In fiscal year 1997 psych services under Psychiatric Day Treatment and Residential Treatment Centers are included in the Mental Health Managed Care plan.

General Fund savings associated with the RTC's is located at DCHS

OPTION #1

02/13/95

FUNDING REQUIRED FOR 75TH PERCENTILE RATES
CALCULATED BASED ON AVERAGE RATES

Projected Required Funding

	DFS		SRS		TOTAL	
	FY96	FY97	FY96	FY97	FY96	FY97
General Fund	845,303	848,270	944,040	967,127	1,789,343	1,815,397
Federal Funds	2,859,433	2,856,466	2,175,723	2,152,636	5,035,156	5,009,102
Total	3,704,736	3,704,736	3,119,763	3,119,763	6,824,499	6,824,499

Executive Budget Funding

	DFS		SRS		TOTAL	
	FY96	FY97	FY96	FY97	FY96	FY97
General Fund	804,291	813,349	961,779	969,305	1,766,070	1,782,654
Federal Funds	2,815,262	2,806,203	2,213,057	2,154,698	5,028,319	4,960,901
Total	3,619,553	3,619,552	3,174,836	3,124,003	6,794,389	6,743,555

Difference

	DFS		SRS		TOTAL		BIENNIAL
	FY96	FY97	FY96	FY97	FY96	FY97	
General Fund	(41,012)	(34,921)	17,739	2,178	(23,273)	(32,743)	(56,016)
Federal Funds	(44,171)	(50,263)	37,334	2,062	(6,837)	(48,201)	(55,038)
Total	(85,183)	(85,184)	55,073	4,240	(30,110)	(80,944)	(111,054)

EXHIBIT 4
DATE 2/14/95
SB SRS

OPTION #2

02/13/95

FUNDING REQUIRED @ 98% OF 75TH PERCENTILE RATES

CALCULATED BASED ON AVERAGE RATES

Projected Required Funding

	DFS		SRS		TOTAL	
	FY96	FY97	FY96	FY97	FY96	FY97
General Fund	835,367	838,275	925,159	947,784	1,760,526	1,786,059
Federal Funds	2,853,839	2,850,931	2,132,208	2,109,584	4,986,047	4,960,515
Total	3,689,206	3,689,206	3,057,367	3,057,368	6,746,573	6,746,574

Executive Budget Funding

	DFS		SRS		TOTAL	
	FY96	FY97	FY96	FY97	FY96	FY97
General Fund	804,291	813,349	961,779	969,305	1,766,070	1,782,654
Federal Funds	2,815,262	2,806,203	2,213,057	2,154,698	5,028,319	4,960,901
Total	3,619,553	3,619,552	3,174,836	3,124,003	6,794,389	6,743,555

Difference

	DFS		SRS		TOTAL		BIENNIAL
	FY96	FY97	FY96	FY97	FY96	FY97	
General Fund	(31,076)	(24,926)	36,620	21,521	5,544	(3,405)	2,139
Federal Funds	(38,577)	(44,728)	80,849	45,114	42,272	386	42,658
Total	(69,653)	(69,654)	117,469	66,635	47,816	(3,019)	44,797

EXHIBIT 5
DATE 2/14/95
SB SRS

Teen Parent Coordination Proposal

Montana currently has approximately 450 teen parents ages 13 to 19 receiving AFDC each year. JOBS, a Social and Rehabilitation Service program, is a funding source for some teen parent services. Current teen services supported by SRS JOBS include the Teen Parent Programs in six counties which provide intensive case management and supportive services; enrollment in the regular JOBS programs in other counties with child care and case management; and, provision of child care for AFDC teens in educational activities who need only this service. These services reach approximately 225 teens. Another 100 are Native American and are referred to Tribal JOBS. Federal regulations presently preclude serving teens younger than 16 so the needs of this group, numbering 40 to 50, have not been addressed.

SRS has targeted this teen parent group because Health and Human Services' studies have shown that a teen parent entering the welfare system will, without intervention, likely be on AFDC for an average of ten years. It has also been shown that those teen parents who do not earn a high school diploma or GED will experience great difficulty in earning enough to keep themselves above the poverty level throughout their entire lives. Intervention dollars spent at this point save support dollars for years to come. In the same preventive vein, parenting classes and other competence-building activities help these children raising children of their own to avoid the crises their lack of maturity invites.

Intervention has produced educational and employment gains for teen parents and a lessening of repeat pregnancies under all the delivery models. There are also still areas across the state where services are minimal or non-existent. Under the welfare reform project, every SRS AFDC teen will be served. How that service is delivered will be evaluated in terms of the needs of the teen, community resources present, and the most cost effective manner possible. Welfare reform, because of the waivers, will also allow service to teens under 16 through JOBS. The overall issue of preventing teen pregnancies will be adressed at every level of all SRS services through education and strengthening the family structure.

In addition to the need for expanding SRS services, observations made in counties across the state clearly demonstrated the need for agency coordination to maximize both funding and outcomes. Presently, targeted services with no coordinating umbrella means that the needs of many teens go unmet. One example of this is the non-AFDC teen who needs assistance only with child care in order to continue high school attendance. No program is currently structured to help until the situation worsens. It has also become apparent that with the layering of teen services present in the state, it is very difficult to determine what measures are effective and at what cost. SRS has initated meetings to begin work on coordination issues.

Expansion of funding could also be a benefit of coordination. SRS JOBS requires match to draw down the available federal funding. The present agreements with OPI and DOLI have enhanced resources available, but the inclusion of match sources, both at the state and local levels, could greatly increase total funding. Locating a permanent, stable source of match to draw down all federal dollars would be even more desirable.

The goal of SRS is to determine what teen parent services are most effective, given a reasonable cost per person, and then to see that all available programs and funds work together to provide them. This may result in multiple delivery models, but outcomes will be maximized in the process.

Presently, SRS needs $ 235,199 in match to draw down the allotted $3.2 million in federal JOBS funds for FFY96. If private match can be found, it will be used. However, increased general fund dollars would enhance program stability.

Services to High Risk Teens

Social and Rehabilitation Service: JOBS Teen Parent Programs (Park, Flathead, Gallatin, Lewis & Clark, Butte-Silver Bow, Deer Lodge counties); service through JOBS in other counties; Medicaid

Department of Labor and Industry: Custodial Parent Programs, (Billings, Havre, Kalispell); Jobs for Montana Graduates, (Livingston, Billings West, Butte, Columbia Falls, St. Ignatius, Hamilton schools); Displaced Homemaker; JTPA Youth; partner in JOBS Teen Parent Programs

Montana Job Training Partnership, Inc.: JTPA Youth, partner in JOBS Teen Parent Programs

Montana Department of Health & Environmental Science: MIAMI Project, High Risk Prenatal, Follow-me (home visits), Family Planning

Office of Public Instruction: Homeless or At-risk (Butte Alternative School), Adult Basic Education, Chapter II possible, Even Start; partner in JOBS Teen Parent Programs

Montana Board of Crime Control: Follow-up system, community at-risk money, Largent Alternative (Great Falls), drug-free schools, high risk youth, Title V prevention. Office of Juvenile Justice: Programs for High Risk, reservations, detention centers

Department of Family Services: Community programs, CPS, possible community impact funding

Office of Commissioner of Higher Education: Carl Perkins programs, Displaced Homemakers

Local Programs: Billings, Young Families funded through Head Start Parent-Child Center, in-kind from school district;

EXHIBIT 6
DATE 2/14/95
SB 423

DISCUSSION DRAFT

Remaining Executive Action - Department of Family Services

Budget Item		LFA Budget Analysis
LEGISLATIVE ACTION NEEDED		
1.	Foster care caseload estimates	B 135-136, 141-142 See Table 1
2.	Foster care funding	See Table 2
3.	Foster care rate increase	B 141-142 See Table 3
4.	Family based services	B 136 See Table 4
5.	Allocation of foster care benefits between Juvenile Corrections and abuse/neglect benefits	See Table 5
5.	Child care operating costs, benefits, grants, provider rate increase	B 134-135, 138 See Table 6 attached
7.	Executive proposal	See Attachment 1
8	Other issues	
	a. Budget amendments of $600,000 for crisis nursery services and related budget amendments that request reappropriation of funds from FY95 to FY96.	See Attachment 2
9	Language	See Attachment 3

CHAIRMAN COBB'S ISSUES

I. Provider rate increases

II. Increase funding for community sexual offender programs

III. Repair Pine Hills

IV. Language--follow children in juvenile programs

V. Domestic violence program increase

VI. Big Brothers/Big Sisters increase

VII. Therapeutic group homes for reservations

VIII. Language directing the Partnership Project to help more high risk youth

IX. Refugee language

X. Sen. Jacobson's foster care program

XI. Community Impact grants

XII. Tie Family Preservation and Support Services grant to Partnership

XIII. Line item Partnership appropriation

C:\DATA\WORD\DFS\95SESS\EXEC_ACT

Table 1
Revised Foster Care Caseload and Funding Estimates

Cost/Funding	Executive Estimate* 1994	Executive Estimate* 1995	Revised Exec. Request 1996	Revised Exec. Request 1997	Revised LFA Estimate 1996	Revised LFA Estimate 1997	Biennial Exec. Over (Under) LFA
Total Cost							
Original Estimated Total Cost	$15,395,488	$15,015,060	$16,739,882	$17,983,846	$16,275,106	$16,866,390	$1,582,232
Revised Estimate Total Cost	16,220,339	16,077,746	17,475,231	18,770,044	16,828,087	17,473,724	$1,943,464
Revised Over (Under) Original	$824,851	$1,062,686	$735,349	$786,198	$552,981	$607,334	
Funding for Revised Estimates							
General Fund*	$11,230,327	$10,617,047	$11,779,155	$12,807,883	$11,038,139	$11,551,098	$1,997,801
County Reimbursements	876,980	948,768	948,768	948,768	948,768	948,768	0
Third Party Reimbursements	683,953	687,618	687,618	687,618	811,108	811,108	(246,980)
Federal Funds	3,429,079	3,824,313	4,059,690	4,325,774	4,030,072	4,162,750	192,642
Total Funds	$16,220,339	$16,077,746	$17,475,231	$18,770,043	$16,828,087	$17,473,724	$1,943,463

*The executive estimate of foster care costs and funding does not include the cost of subsidized adoption or therapeutic group care. These costs are included in the foster care budget/appropriation in FY94 and FY95, but are borken out for separate consideration in the 1997 biennium executive request. Together these costs account for $1.8 million total funds ($1.3 million general fund) in FY 94 and $2.6 million total funds ($2 million general fund) in FY97.

**The Executive includes $252,000 for family based services contracts in FY96 and FY97, while the LFA maintains contracts at the FY94 actual cost of $20,000.

Table 2
Foster Care Funding Differences Between the Original and Revised and Revised Executive Request and LFA Revised Request

General Fund/Total Funds	Executive Estimates 1996	Executive Estimates 1997	LFA Estimates 1996	LFA Estimates 1997	Exec. Over (Under) LFA (Biennial)
Original Executive Request	$11,197,517	$12,181,498	$11,197,517	$12,181,498	$0
Revised General Fund	11,779,155	12,807,883	11,038,139	11,551,098	$1,997,801
Revised Over (Under) Original	$581,639	$626,386	($159,377)	($630,400)	$1,997,801
~~Less~~ Family Based Services	$183,757	$228,504	$0	$0	$412,261
~~Less~~ PIPPS Services	397,882	397,882	73,345	73,345	649,074
Third Party Reimbursements	0	0	(123,490)	(123,490)	246,980
In-State Treatment	0	0	(109,232)	(580,255)	689,487
General Fund Difference	$581,639	$626,386	($159,377)	($630,400)	$1,997,801

Table 3
Comparison of 1.5% Provider Rate Increases to Revised Foster Care Projections

Cost/Funding	Original Estimate* 1996	Original Estimate* 1997	Executive Revised Estimate 1996	Executive Revised Estimate 1997	LFA Revised Estimate 1996	LFA Revised Estimate 1997
Total Cost 1.5% Provider Increase	$222,753	$448,847	$247,318	$535,945	$243,827	$509,182
General Fund	175,819	354,275	186,180	405,025	181,554	380,029
State Special	0	0	10,314	20,783	12,167	24,516
Federal	46,934	94,572	50,824	110,137	50,106	104,637
Funding Over (Under) Original Request						
Total Cost			$24,565	$87,098	$21,074	$60,335
General Fund			10,361	50,750	5,735	25,754
State Special			10,314	20,783	12,167	24,516
Federal			3,890	15,565	3,172	10,065

*The original executive request was adequate to fund only a 1.36% provider rate increase.
**Rate increases for family based services are not included in the increase.

Table 4
Family Based Services

Request/Funding	Appropriated 1994	Actual 1994	Original Request 1996	Original Request 1997	Revised Exec. Request 1996	Revised Exec. Request 1997
Total Appropriated/Requested						
Separate Item	$371,200	$538,377	$640,000	$640,000	$640,000	$640,000
Included in Foster Care Benefits		20,000	102,000	102,000	252,000	252,000
Total	$371,200	$558,377	$742,000	$742,000	$892,000	$892,000
Percent Increase Over Approp.		50.42%	99.89%	99.89%	140.30%	140.30%
Percent Increase Over Actuals			32.89%	32.89%	59.75%	59.75%
Funding						
General Fund	$371,200	$558,377	$682,000	$682,000	$763,757	$808,504
State Special Revenue	0	0	0	0	0	0
Federal	0	0	60,000	60,000	128,243	83,496
Total Funds	$371,200	$558,377	$742,000	$742,000	$892,000	$892,000

Table 5
Revised Executive Foster Care Request Allocated Between Juvenile Corrections, Probation, and Abuse and Neglect Functions

	<------Biennial Total------->						
Service Cost/Funding	Abuse and Neglect	Percent of Total	Juvenile Corrections	Percent of Total	Probation	Percent of Total	Biennial Total
Clothing Allowance	$749,977	96.30	$11,363	1.46	$17,449	2.24	$778,789
Supplemental Services	609,743	99.30	1,364	0.22	2,914	0.47	614,021
Family Foster Care In-State	9,596,847	95.32	149,864	1.49	321,165	3.19	10,067,876
Group Home	1,913,943	44.71	499,980	11.68	1,866,532	43.61	4,280,455
Shelter Care	1,695,491	47.69	117,531	3.31	1,742,221	49.00	3,555,243
In-State Residential Treatment	8,294,747	81.47	211,508	2.08	1,675,531	16.46	10,181,786
Out-Of-State Res. Treatment	2,181,866	60.04	151,684	4.17	1,300,182	35.78	3,633,732
Individualized Services (PIPPS)*	2,606,692	99.14	9,822	0.37	12,858	0.49	2,629,372
Family Based Services*	504,000	100.00	0	0.00	0	0.00	504,000
Total	$28,153,306	77.67	$1,153,116	3.18	$6,938,852	19.14	$36,245,274
General Fund	$16,606,743	67.54	$1,153,115	4.69	$6,827,180	27.77	$24,587,038
State Special Revenue	3,272,772	100.00	0	0.00	0	0.00	3,272,772
Federal Funds	8,273,791	98.67	0	0.00	111,673	1.33	8,385,464
Total Funds	$28,153,307	77.67	$1,153,115	3.18	$6,938,852	19.14	$36,245,274

*PIPPS are funded 90% from the general fund and family based services are funded 100% from the general fund.

14-Feb-95
07:57:58 AM

Fiscal 1994 PIPPS Expenditures

Service Cost/Funding*	FY 94	Percent of Total
Utilities	$2,964	0.35%
Medical	3,483	0.41%
Travel	4,906	0.58%
Schools	8,526	1.01%
Other	33,049	3.91%
Individuals**	95,038	11.25%
Counseling	321,557	38.06%
Residential Treatment	375,328	44.43%
Total PIPPs Services	$844,851	100.00%
General Fund	$752,146	89.03%
State Special Revenue	0	0.00%
Federal Funds***	92,705	10.97%
Total Funds	$844,851	100.00%
Abuse/Neglect Cases	$833,511	98.66%
Probation/Juvenile Corrections	11,340	1.34%

*DFS staff compiled payment information.
**DFS staff believe that these payments are also for counseling/therapy services.
***Federal share of PIPPs funding may be larger than shown in this table.

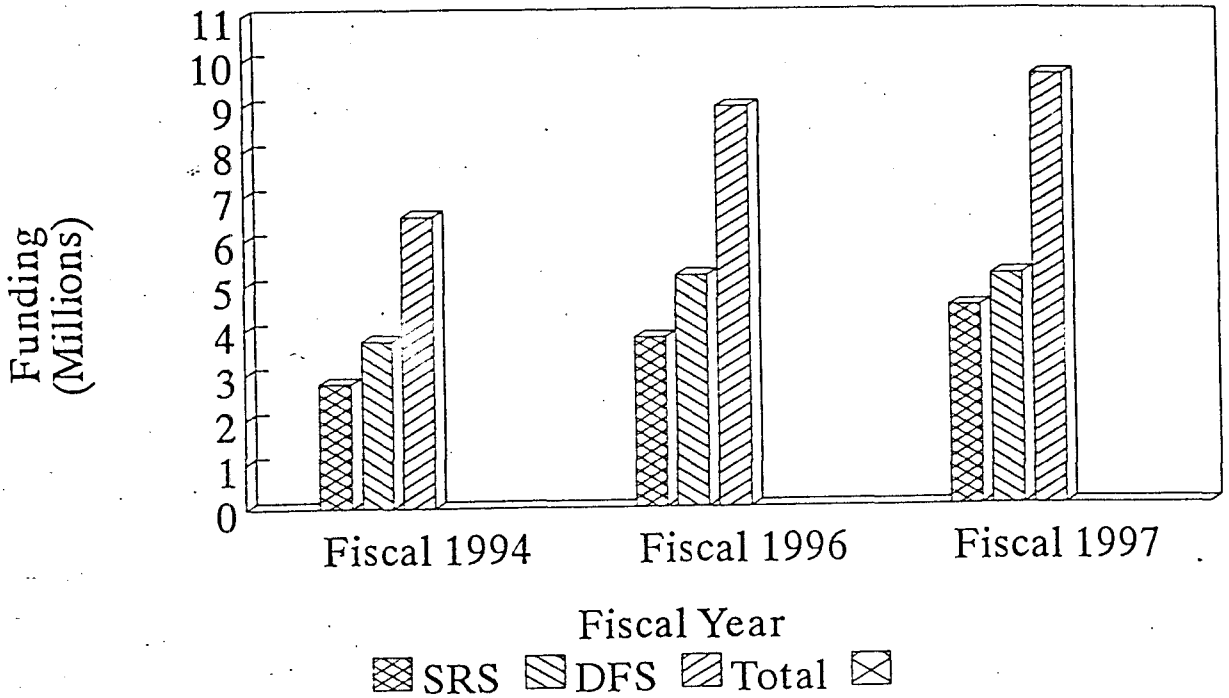
14-Feb-95
07:18:25 AM

Table 6
Executive Budget Child Care Request Compared to Base Expenditures
Departments of Family Services and Social and Rehabilitation Services

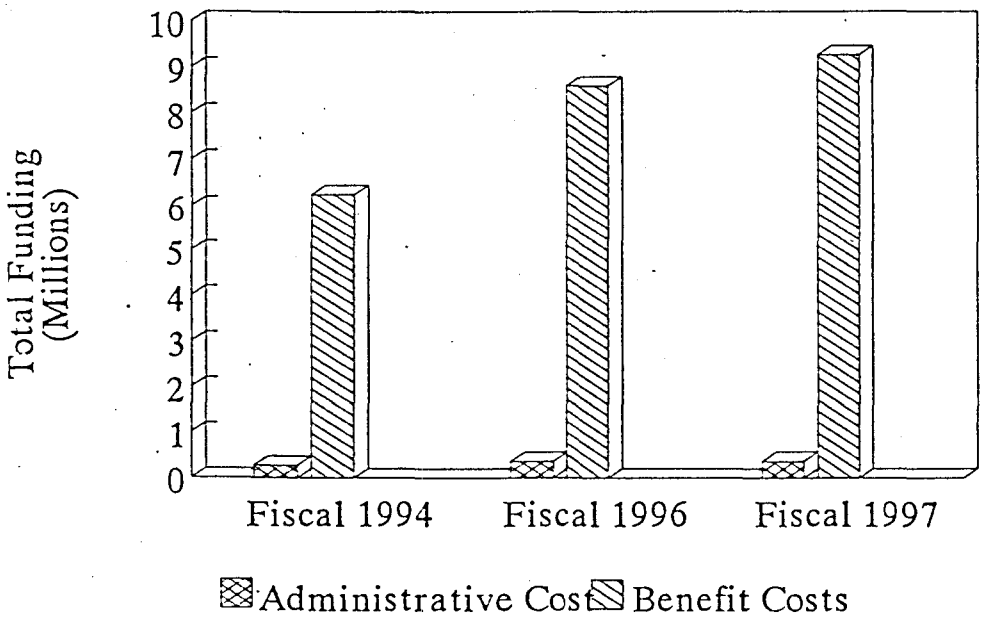
Department/Expenditure	Base Budget Fiscal 1994	Percent of Total	Executive Request Fiscal 1996	Executive Request Fiscal 1997	Percent of Total	LFA Book Page
Department of Family Services						
Child Care Operating Costs*	$261,692	7.00%	$261,692	$261,692	5.05%	
Personal Services/Inflation/Fixed Cost*			(9,156)	(8,426)	-0.16%	
Contracted Services*			106,614	106,614	2.06%	B 134
Child Care Benefits/Grants						B 128-130
Block Grant Funds	2,224,308	59.52%	2,675,720	2,675,720	51.67%	
At-Risk Child Care	541,109	14.48%	1,299,188	1,299,188	25.09%	
Child Protective Services	661,808	17.71%	661,808	661,808	12.78%	
Other	48,072	1.29%	50,199	50,199	0.97%	
1.5% Rate Increase	0	0.00%	70,707	70,479	1.36%	B 135
Increase to 50 Cents per Day	0	0.00%	61,360	61,587	1.19%	B 138
Sub-Total DFS	$3,736,989	100.00%	$5,178,132	$5,178,861	100.00%	
Increase Above Base			38.56%	38.58%		
Funding						
General Fund	$622,937	16.67%	$865,791	$874,849	16.89%	
Federal Funds	3,114,052	83.33%	4,312,341	4,304,012	83.11%	
Sub-Total DFS Funding	$3,736,989	100.00%	$5,178,132	$5,178,861	100.00%	
Department of Social and Rehabilitation Services						
Child Care Operating Costs	$0	0.00%	$0	$0	0.00%	
Child Care Benefits**						B 37
JOBS	1,104,830	39.65%	1,209,450	1,189,293	26.68%	
Transitional	944,072	33.88%	1,033,470	1,016,245	22.80%	
At Risk Pilot	526,781	18.91%	576,664	567,053	12.72%	
Training	119,867	4.30%	131,218	129,031	2.89%	
Tribal	90,610	3.25%	99,190	97,537	2.19%	
R&R Funding	0		120,000	120,000	2.69%	B 41
Welfare Reform Child Care***	0		484,190	1,213,306	27.22%	
1.5% Rate Increase	0		49,086	52,662	1.18%	B 40
Increase to 50 Cents per Day	0	0.00%	75,757	72,181	1.62%	B 43-44
Sub-Total SRS	$2,786,161	100.00%	$3,779,026	$4,457,309	100.00%	
Increase Above Base			35.64%	59.98%		
Funding						
General Fund	$775,496	27.83%	$1,104,615	$1,333,297	29.91%	
State Special Revenue	31,844	1.14%	40,000	40,000	0.90%	
Federal Funds	1,978,821	71.02%	2,634,411	3,084,012	69.19%	
Sub-Total SRS Funding	$2,786,161	100.00%	$3,779,026	$4,457,309	100.00%	
Grand Total Child Care Expenditures						
Child Care Operating Costs	$261,692	4.01%	$359,150	$359,880	3.73%	
Child Care Benefits/Grants	6,261,458	95.99%	8,598,008	9,276,290	96.27%	
Grand Total Costs	$6,523,150	100.00%	$8,957,158	$9,636,170	100.00%	
Increase Above Base			37.31%	47.72%		
Funding						
General Fund	$1,398,433	21.44%	$1,970,406	$2,208,146	22.92%	
State Special Revenue	31,844	0.49%	40,000	40,000	0.42%	
Federal Funds	5,092,873	78.07%	6,946,752	7,388,024	76.67%	
Grand Total Funding	$6,523,150	100.00%	$8,957,158	$9,636,170	100.00%	

*Subcommittee has already acted on operating costs and inflation, except there has been no action on contracted services.
**Benefits are assumed to be proportional to the number of days of care provided in FY94.
**The subcommittee has already adopted welfare reform child care.

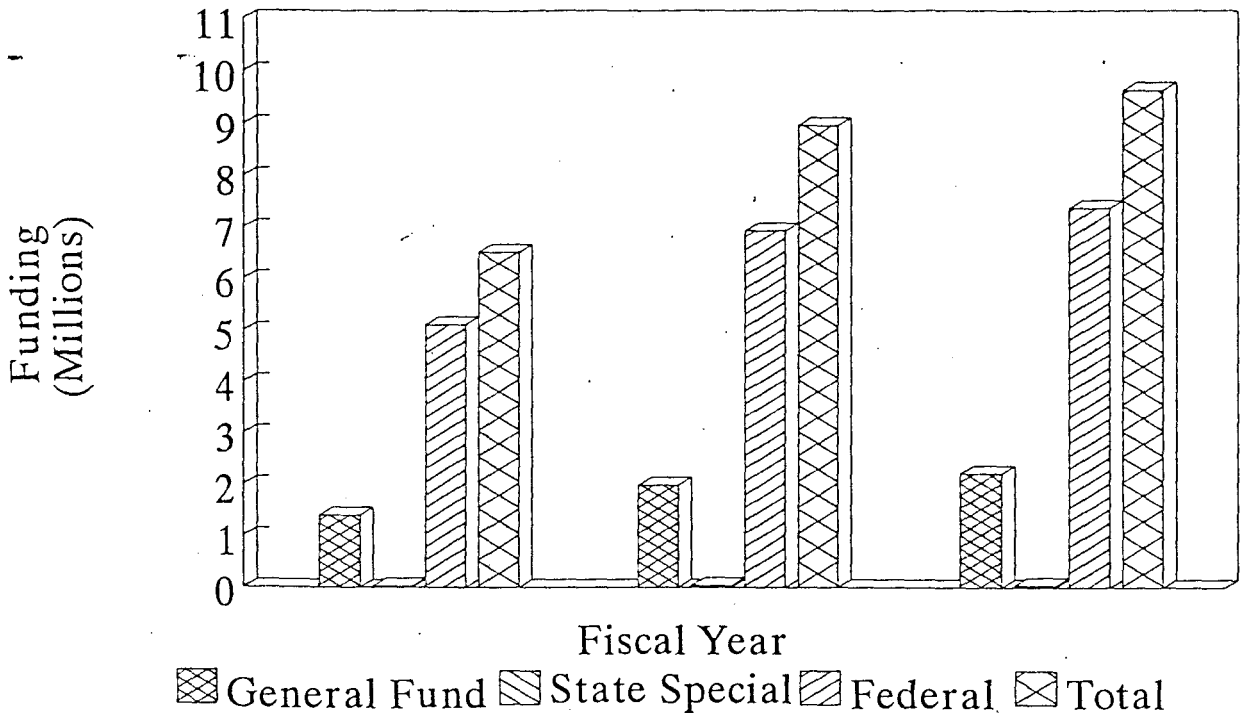
SRS, DFS, and Total Day Care Cost
Fiscal 1994 to Fiscal 1997



Day Care Administrative & Benefit Costs
FY 94 to FY97



Day Care Funding
Fiscal 1994 to Fiscal 1997



Attachment 3 - Language for Department of Family Services

Program/Language

Program 01 Management Support Services

1. "The department shall prepare a unified budget for the interdepartmental coordinating council on prevention of child abuse and neglect. The unified budget shall *identify services funded, expenditures by service in fiscal 1996, and preliminary amounts budgeted by service and fund type* from the: department of family services, office of public instruction, board of crime control, *department of health and environmental sciences*, department of labor and industry, and department of social and rehabilitation services. The preliminary budget shall be presented to the joint oversight committee on children and families, *the legislative finance committee, and the office of budget and program planning by September 1, 1996.* The unified budget shall be included in the Governor's budget request to the 55th legislature."

   Subcommittee passed a version of this language with a directive that certain changes be made to address concerns of the Office of Budget and Program Planning and subcommittee members. Those changes are shown in italics.

2. "Funds in item [CAPS development] cannot be included in the fiscal 1996 base budget."

   Committee intended that this appropriation be line-itemed. Does the Committee also intend that no funds may be transferred out of this appropriation?

Program 02 Regional Administration

3. "Funds in item [social worker staff increase] can only be used for new social worker positions that perform duties related to child or elderly abuse and neglect. The department must establish a separate accounting center and a separate budget center to track abuse and neglect workers separately from other department FTE. The department must report abuse and neglect FTE and related expenditures separate from other budget functions in its budget request to the 55th legislature."

Program 03 Juvenile Corrections

4. "Funds in item [juvenile sex offender treatment] must be used to develop sex offender treatment programs including community based services. Funds in item [juvenile sex offender treatment] may not be transferred to other uses or other appropriations within the department or to another department. The department shall also pursue development of medicaid-eligible services as one alternative to treat juvenile sex offenders. The legislature intends that juveniles whose sole offense is a sexual offense shall not be placed in Pine Hills School, but shall be treated in other more appropriate placements."

5. "The legislature has no evidence that the montana youth alternatives program funded in item [Montana Youth Alternatives] is more effective in treating juvenile offenders than the mountain view school program."

6. The subcommittee added funds for secure care for females with direction that funds be "line-itemed." Does the subcommittee also want language to specify that funds must be spent on secure care and nothing else?

> "Funds in item [secure care for female juvenile offenders] must be spent on secure care for female juvenile offenders. Funds in item [secure care for female juvenile offenders] may not be used for other purposes, or transferred to other uses or other appropriations in the department or to another department."

Program 05 Program Management

7. "The department shall prepare a report for the 55th legislature confirming the outcomes of the partnership project. The report shall include the number of families and children served and the types of services funded, and verify the impact on the growth in the foster care caseload, if any. The report shall explicitly identify fiscal 1996 expenditures by fund type, service, and county location, compared to the estimated expenditures by fund type and service for the 1999 biennium."

8. "The department may use federal and state special revenue in item [partnership project] captured through refinancing services to fund new or additional services. The department shall use the least restrictive, most appropriate services with the goal of preserving families. Services must be developed within appropriation limitations in this act and the department may not expand partnership services such that foster care general fund requirements are greater than appropriations in this act."

   This language is presented to respond to Senator Swysgood's concern regarding refinancing services and supplemental appropriations in foster care services.

9. Contingent on passage and approval of SB 378, state special revenue in item [program management division] is reduced by $35,406 in fiscal year 1996 and $34,409 in fiscal year 1997 and general fund is increased by a like amount."

   This language replaces domestic violence state special revenue with general fund in the event the revenue source is "de-earmarked".

C:\DATA\WORD\DFS\95SESS\LANGUAGE.HB2

Attachment 3 - Language for Department of Family Services

Program/Language

Program 01 Management Support Services

1. "The department shall prepare a unified budget for the interdepartmental coordinating council on prevention of child abuse and neglect. The unified budget shall *identify services funded, expenditures by service in fiscal 1996, and preliminary amounts budgeted by service and fund type* from the: department of family services, office of public instruction, board of crime control, *department of health and environmental sciences,* department of labor and industry, and department of social and rehabilitation services. The preliminary budget shall be presented to the joint oversight committee on children and families, *the legislative finance committee, and the office of budget and program planning by September 1, 1996.* The unified budget shall be included in the Governor's budget request to the 55th legislature."

   Subcommittee passed a version of this language with a directive that certain changes be made to address concerns of the Office of Budget and Program Planning and subcommittee members. Those changes are shown in italics.

2. "Funds in item [CAPS development] cannot be included in the fiscal 1996 base budget."

   Committee intended that this appropriation be line-itemed. Does the Committee also intend that no funds may be transferred out of this appropriation?

Program 02 Regional Administration

3. "Funds in item [social worker staff increase] can only be used for new social worker positions that perform duties related to child or elderly abuse and neglect. The department must establish a separate accounting center and a separate budget center to track abuse and neglect workers separately from other department FTE. The department must report abuse and neglect FTE and related expenditures separate from other budget functions in its budget request to the 55th legislature."

Program 03 Juvenile Corrections

4. "Funds in item [juvenile sex offender treatment] must be used to develop sex offender treatment programs including community based services. Funds in item [juvenile sex offender treatment] may not be transferred to other uses or other appropriations within the department or to another department. The department shall also pursue development of medicaid-eligible services as one alternative to treat juvenile sex offenders. The legislature intends that juveniles whose sole offense is a sexual offense shall not be placed in Pine Hills School, but shall be treated in other more appropriate placements."

5. "The legislature has no evidence that the montana youth alternatives program funded in item [Montana Youth Alternatives] is more effective in treating juvenile offenders than the mountain view school program."

6. The subcommittee added funds for secure care for females with direction that funds be "line-itemed." Does the subcommittee also want language to specify that funds must be spent on secure care and nothing else?

> "Funds in item [secure care for female juvenile offenders] must be spent on secure care for female juvenile offenders. Funds in item [secure care for female juvenile offenders] may not be used for other purposes, or transferred to other uses or other appropriations in the department or to another department."

Program 05 Program Management

7. "The department shall prepare a report for the 55th legislature confirming the outcomes of the partnership project. The report shall include the number of families and children served and the types of services funded, and verify the impact on the growth in the foster care caseload, if any. The report shall explicitly identify fiscal 1996 expenditures by fund type, service, and county location, compared to the estimated expenditures by fund type and service for the 1999 biennium."

8. "The department may use federal and state special revenue in item [partnership project] captured through refinancing services to fund new or additional services. The department shall use the least restrictive, most appropriate services with the goal of preserving families. Services must be developed within appropriation limitations in this act and the department may not expand partnership services such that foster care general fund requirements are greater than appropriations in this act."

   This language is presented to respond to Senator Swysgood's concern regarding refinancing services and supplemental appropriations in foster care services.

9. Contingent on passage and approval of SB 378, state special revenue in item [program management division] is reduced by $35,406 in fiscal year 1996 and $34,409 in fiscal year 1997 and general fund is increased by a like amount."

   This language replaces domestic violence state special revenue with general fund in the event the revenue source is "de-earmarked".

C:\DATA\WORD\DFS\95SESS\LANGUAGE.HB2