

Impact of HB 639 and SB 261 on Health and Human Services

Prepared by Sue O'Connell
for the Children, Families, Health, and Human Services Interim Committee
June 14, 2017

Background

The 2017 Legislature passed two bills that could affect many Department of Public Health and Human Services programs — depending on the state of the state's budget over the next two years.

House Bill 639 implements DPHHS-related provisions of House Bill 2, the main budget bill. Senate Bill 261 creates a "rainy day" fund and includes a menu of budget cuts that would occur if state revenues come in at lower-than-expected levels. It also makes an appropriation for direct care worker wage increases contingent on higher-than-expected revenues.

The Children, Families, Health, and Human Services Interim Committee may want to monitor the impact of these two bills as the interim unfolds.

The Companion Bill: House Bill 639

Following are the key elements of HB 639, the "companion bill" that contains substantive policy measures to carry out the appropriations in HB 2.

- The state's major hospitals will pay a "community benefit assessment" totaling \$4.35 million a year for fiscal years 2017, 2018, and 2019. Money raised through the fee will go to the general fund. The fee for each hospital is set in law, ranging from a high of \$835,300 a year for the Billings Clinic to lows of \$51,400 for Northern Montana Hospital in Havre and \$16,790 for the Great Falls Clinic Medical Center.
- The appropriation for DPHHS was increased by \$3 million in each year of the next biennium to fund preschool pilot projects through the Stars to Quality program for early childhood education programs.
- The statute used to calculate the Medicaid reimbursement rate for doctors is amended for the next two fiscal years. DPHHS will use a school-funding inflation factor when setting the rates, rather than the medical inflation consumer price index (CPI) now used in the formula. Using the school funding formula referenced in HB 639, the inflation factor would be 1.37% in FY 2018 and 1% in FY 2019; the medical CPI has averaged about 3.3% a year over the past 10 years.
- Federal Medicaid funds received for services provided through the Indian Health Service and other tribal health settings will be statutorily appropriated. That means the money will no longer be a part of HB 2. In the next biennium, those appropriations totaled \$82.4 million in FY 2018 and \$94.6 million in FY 2019.
- DPHHS may use funding for the Montana Developmental Center to pay for "other necessary services" for people who are being or would have been served at the facility for seriously developmentally disabled adults.

- The HB 2 appropriations for Medicaid caseload contingencies will occur only if DPHHS spends its entire general fund appropriation.
- DPHHS must track performance measures for certain items, including the Child and Family Services Division and the Protect Montana Kids Commission proposals approved by the 2017 Legislature.

The Trigger Bill: SB 261

Anticipating a possible shortfall in general fund revenues, the Legislature included a number of budget cuts SB 261. The cuts are grouped into tiers and will occur if the amount of unaudited general fund revenue collected by August 15 in either FY 2017 or FY 2018 falls below a baseline amount. That baseline is set at \$2.216 billion for 2017 and \$2.372 billion for 2018.

A Children and Families Committee bill from last interim would be the first DPHHS-related item affected if revenues drop below that baseline amount. If FY 2017 general fund revenues are \$6 million below the baseline amount on August 15, 2017, funding in HB 17 would be void. The money would pay for new home and community-based services waiver slots for elderly and disabled individuals and for higher Medicaid payment rates for assisted living facilities.

The following cuts would occur if general fund revenues are \$12 to \$24 million below the baseline amount:

- DPHHS would cancel its contract with Blue Cross Blue Shield for administering the Medicaid expansion program for nonelderly, nondisabled, and nonpregnant adults.
- The department's general fund appropriation would decrease by 0.5%.

The following cuts would occur if general fund revenues are \$24 million to \$36 million below the baseline amount:

- Medicaid provider rates would be reduced across the board by 1%.
- Funding for mental health targeted case management services would decrease by slightly less than \$1 million a year for both children and adult services.
- The budget for the Mental Disabilities Board of Visitors, which conducts reviews of public mental health programs and the Montana Developmental Center, would be cut by \$90,000. The amount is equal to about one FTE. The office currently has three FTE.

Finally, the HB 638 appropriation for increased direct care worker wages would go into effect only if general fund revenue collections exceed \$2.22 billion for FY 2017 and \$2.375 billion for FY 2018. The bill required raises for workers who provide direct care to people who are elderly or who have developmental or physical disabilities.

Revenue to Date

A June 6 Legislative Fiscal Division report showed that year-to-date general fund revenue growth through May was 0.2%, which is below the anticipated growth of 4.3%. The midpoint of historical collection patterns suggests final collections could end up \$65 million less than the baseline amount of \$2.216 billion that would trigger budget reductions.