



# Budget Cuts Devastate Health and Human Services

## State cuts nearly \$100 million in the 2019 Biennium

February 2018

The quality of life we enjoy in our state is directly connected to the public systems and structures we have created over many decades. Our state budget represents our collective investment in the public institutions and services that educate our children, keep our communities safe, and provide health care and other services to our most vulnerable neighbors. However, the legislature’s unwillingness to seriously consider additional revenue to adequately balance the budget has resulted in deep cuts to services essential for low-income families, seniors, and people with disabilities.

In November 2017, the legislative special session resulted in approximately \$120.7 million in state general fund cuts to agencies.<sup>1</sup> These are on top of cuts that were taken during the regular session and additional cuts triggered this summer. While the budget cuts have impacted nearly every part of state government from K-12 education to water monitoring, the Department of Public Health and Human Services (DPHHS) has taken some of the deepest cuts.

Timing of the Cuts	Description	2019 Biennium General Fund
Cuts taken in 2017 Regular Legislative Session	DPHHS budget cuts (HB 2)	(\$12,017,536)
	DPHHS additional vacancy savings (HB 2)	(\$3,354,337)
	Unfunded Medicaid caseload (HB 2, HB 639)	(\$13,375,257)
Cuts enacted in August 2017	Cuts to Medicaid provider rates, targeted case management, unfunded state employee pay raises (SB 261)	(\$17,334,849)
Cuts enacted in November 2017 Special Session	DPHHS budget cuts (HB 2, special session)	(\$49,213,958)
	<b>TOTAL GENERAL FUND CUTS TO DPHHS</b>	<b>(\$95,295,937)</b>

Source: Montana Department of Public Health and Human Services

This chart, which was provided by DPHHS, shows only the cut to *state general fund* dollars. **Cuts to health and human services almost always come with a loss in federal funds.** When the legislature cuts general fund dollars, the state no longer has the *authority* to spend those federal funds, regardless of whether the federal funds are appropriated or not. An example is Medicaid. For every dollar a state spends on Medicaid services, the federal government matches that dollar with \$1 to \$2, depending on the exact program.

It’s important to include the loss of federal funds, because that compounds the loss of services for seniors, people with disabilities, and low-income families across the state. The \$49 million in general fund cuts taken during the special session also resulted in a loss of about \$60 million in other funds, mostly federal dollars.<sup>2</sup> Factoring in even a conservative estimate for federal

matching dollars, the general fund cuts taken this year would likely put the total loss of federal funds for the current biennium at over \$100 million. **When we total state general fund cuts and loss of federal funds, we are quickly reaching over \$200 million in cuts to services funded through DPHHS.**

The \$110 million in cuts to DPHHS during the special session include<sup>3</sup>:

- Cuts to grants for **child care providers, which were used to help improve access to quality care for low-income families;**
- Cuts of over \$2 million in funding for non-profit organizations in Billings, Missoula, and Helena that provide **housing and support for young, at-risk mothers;**
- Cuts of nearly \$18 million in **targeted case management for children and adults with developmental disabilities and those experiencing mental health and substance use disorders** (this is in addition to about \$14 million in provider rate cuts made earlier in 2017)<sup>4</sup>;
- Cuts of nearly \$12 million to **in-home care for seniors and people with disabilities living in their own homes**, likely forcing more Montanans into nursing home care<sup>5</sup>;
- Cuts of \$22.6 million in **reimbursement rates for hospitals and other health centers** providing care to Medicaid patients<sup>6</sup>;
- **Elimination of Medicaid's coverage for some dental services**, including denture services.
- Cuts of \$1.6 million in **chemical dependency treatment;**
- Reduction in grants to counties for **mental health crisis intervention;** and
- **Closure of 19 offices of public assistance** in rural Montana, impacting many families' ability to access assistance and services including SNAP, Medicaid, Healthy Montana Kids, and TANF.

These cuts will impact services for our families and neighbors across the state, as well as the nonprofit organizations and local service providers that are now feeling the increased pressure and terrible consequences of cutting services for their clients.

### **The Legislature Must Seriously Consider Revenue in 2019 to Avoid Further Damage**

Montanans should continue to call for a balanced approach to the state budget in 2019, which was not adequately debated in 2017. Republican leadership's refusal to consider new revenue has meant devastating cuts for many services that support families and communities across the state. It is critical that citizens call on legislators to have a thoughtful conversation about new revenue to stave off even greater destructive cuts.

- **Policymakers on both sides of the aisle need to come to the table to think through common-sense proposals to restore revenue.** In the 2017 session, legislators proposed over 20 measures to raise revenue. These measures included creating a top income tax bracket that would kick in at income in excess of \$500,000 and a proposal to eliminate the capital gains tax credit for millionaires. Unfortunately, a majority of Republican legislators blocked nearly all of

these bills from coming to the House or Senate floor for a full debate. Now is the time to take another look at revenue, to lessen the need for cuts impacting Montana families, and ensure Montana continues to be a state where all families can live and work.

- **A long-overdue increase to the tobacco tax would restore over \$100 million in revenue to the state.** Senate Bill 354 proposed a long overdue increase in the tobacco tax and passed the Senate, but was tabled in House Taxation Committee on a party line vote.<sup>7</sup> The vast majority of Montanans support an increase in the tobacco tax.<sup>8</sup> In addition to restoring much-needed revenue, an increase in the tobacco tax can have positive health benefits for the state and its citizens.<sup>9</sup>
- **Closing tax loopholes is common sense.** Instead of protecting special interests, legislators should return to Helena to consider several proposals to close tax loopholes that benefit powerful special interests. It is time for the super wealthy and large corporations to pay their fair share, instead of forcing Montana families to bear the brunt of budget cuts.

We collectively must tell policymakers that these cuts cannot stand. Legislators must work with the governor to find a more responsible path forward that will restore a responsible budget to meet our communities' needs.

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<sup>1</sup> This includes the cuts taken by the governor (and codified by the legislature) and other expenditures reductions taken by the legislature. "2017 Nov. Special Session Fiscal Report." Legislative Fiscal Division. December 11, 2017.

<http://leg.mt.gov/content/Publications/fiscal/interim/Dec-2017/LFC-Special-Session-Fiscal-Report.pdf>.

<sup>2</sup> "17-7-140, MCA, Proposed Reductions: 2019 Biennium." Governor's Office of Budget and Program Planning. November 2017. <http://balancedbudget.mt.gov/Portals/186/17-7-140%20Reductions.pdf>.

<sup>3</sup> "17-7-140, MCA, Proposed Reductions: 2019 Biennium." Governor's Office of Budget and Program Planning. November 2017. <http://balancedbudget.mt.gov/Portals/186/17-7-140%20Reductions.pdf>.

<sup>4</sup> This includes cuts to targeted case management within three divisions: Developmental Services Division (Medicaid Targeted Case Management CMH, NP 691001, Non-Medicaid Targeted Case Management, NP 691005, and Medicaid Targeted Case Management, NP 691017), Health Resources Division (Medicaid Targeted Case Management, NP 691107), and Addictive and Mental Disorders Division (Medicaid Substance Use Disorder TCM services, NP 693309, and Adult SDMI TCM services, NP 693310).

<sup>5</sup> This includes several cuts within Senior and Long-Term Care Division (reduce services under Medicaid Big Sky Waiver, NP 692203, reduce personal assistance services, NP 692207, and reduce Community First Choice, NP 692208).

<sup>6</sup> This includes several cuts within Health Resources Division (reduce Medicaid outpatient PPS hospitals, NP 691109, reduce rates for Medicaid providers in clinic payment, NP 691112, reduce rates for comprehensive primary care plus, NP 691122, reduce rates for NCQA providers, NP 691123, and reduce rates for Medicaid inpatient PPS hospitals, NP 691125).

<sup>7</sup> Montana 65<sup>th</sup> Legislature. Senate Bill 354. <http://leg.mt.gov/css/default.asp>.

<sup>8</sup> Moore Information. "Executive Summary: Montana Voters and Tobacco Policy." March 21, 2017. On file with author.

<sup>9</sup> Marr, C., and Huang, C. "Higher Tobacco Taxes Can Improve Health and Raise Revenue." Center on Budget and Policy Priorities. March 19, 2014.