

PRESENTATION TO THE 2023 HEALTH AND HUMAN SERVICES JOINT APPROPRIATIONS SUBCOMMITTEE

Business and Financial Services Division

Director's Office

Department of Public Health and Human Services

THE FOLLOWING TOPICS ARE COVERED IN THIS REPORT:

- **Overview**
- **Summary of Major Functions**
- **Highlights and Accomplishments during the 2023 Biennium**
- **Efficiencies and Cost Savings**
- **Funding and FTE Information**

OVERVIEW

The Business and Financial Services Division (BFSD) enables DPHHS to achieve its strategic objectives through the management of DPHHS financial resources. Key functions, like professional accounting and operating support services, are crucial to the delivery of timely, affordable, and effective health and human services. BFSD's centralized services ensure practices, divisions, and programs reduce costs while also meeting the continuum of needs of Montana's most vulnerable citizens.

BFSD is a critical support division in the Department ensuring program accounting functions and operation support services are performed accurately and efficiently. This division has continued to operate very lean with 54 dedicated FTE along with five Modified FTE who continually seek to implement best practices and innovative approaches to provide optimal services, while saving taxpayer dollars. BFSD has seen turnover in this last biennium of over 40 percent where at least 1 employee per position number has terminated. Turnover has been directly linked to the following factors:

- Senior partners who have worked for the division for 30 years are nearing retirement age,
- Staff is accepting positions in other agencies that are similar in nature but higher compensated,
- Employee burn out due to the pandemic; staff has chosen to leave State Government and work in private sector positions.

BFSD continues to perform duties and oversight of the additional workload created to mitigate COVID-19 and ARPA funded projects with less than 10 percent increase in resources to meet the demand of this workload. Recruitment of vacant positions has been challenging due to the current climate of vacancies across all State Agencies. Often potential hires are being offered higher compensation for like positions as well the ability to telework 100 percent.

PRIMARY SERVICES

- **Accounts payable:** provides payments to over 800,000 vendors and employees.
- **Cash management:** manages over three-hundred and fifty funds for programs bringing in more than \$2.7 billion in federal funds in FY 2022.
- **Contract and purchasing management:** provide monitoring and oversight of procurement and contracting. Provided oversight to over fourteen-thousand purchase orders totaling over \$30 million in FY22.
- **Facility medical billing** maximizes general fund dollars by collecting medical costs from multiple sources. In FY 2022, \$20 million was collected by the Facility Reimbursement Unit, the state of Montana finds savings for every dollar collected.
- **Accounts Receivable:** processing receivables for DPHHS. In 2022, over \$285 million was collected through our accounts receivable processes, along with \$1.2 million recovered in tax collections

SUMMARY OF MAJOR FUNCTIONS

The division is divided into two major business areas: Fiscal Operations Bureau and Support Services Bureau. In 2021, a Grants Management Office was added to the division to provide additional support and oversight.

FISCAL OPERATIONS BUREAU

Cash Management

BFSD's General Ledger and Medicaid Finance Accountants are responsible for transparent and proper reporting for over two-hundred seventy unique federal funding sources and over one-hundred state special accounts. Compared to last biennium, the number of Federal grants reporting increased by nearly twenty percent while staffing remained the same. Staff monitor financial activities in the funds, complete financial schedules and reports, perform in-depth financial analysis, and request reimbursement from federal grantors.

Medical Billing

This business unit works in collaboration with the Medicaid Services Branch to provide effective and efficient billing for state-owned medical facilities. Financial investigators work one-on-one with Montanans in need of care at these facilities to understand their personal financial situation. Medical billers monitor expenditures and work to maximize recovery from insurance companies, Medicaid, Medicare, and private pay to offset medical costs incurred at the state facilities. Medicaid is always the payer of last resort, which means they are only billed after exhausting all other payer options. In FY 2022, \$20 million was collected by the Facility Reimbursement Unit.

Cost Allocation

DPHHS is deemed a public assistance agency and required to have a public assistance cost allocation plan. The cost allocation unit maintains this narrative document outlining the purpose of the Department, the organizational structure, the work performed within each division, what expenditures are direct and indirect, and how the indirect expenditures will be shared among benefitting programs. This unit carries out complex accounting processes to ensure accurate cost reporting, thus allowing program staff to focus energy on providing services to Montana's citizens. A centralized cost allocation unit ensures financial internal control and reliability of indirect cost reporting, which allows for recovery of federal dollars.

Grants Management Office

In FY 2021 the division repurposed two existing positions that included a Grants and Systems Analyst and an Accountant Lead Position. The purpose of these newly developed positions was to ensure compliance with Federal and State regulations; to provide oversight for audit; to develop and implement internal controls for department wide financial and accounting processes; and to support all Department internal financial system oversight. These positions are direct reports to the Division Administrator and work closely with the Department Chief Financial Officer.

SUPPORT SERVICES BUREAU

Accounts Payable

The BFSD accounts payable unit processes payments to vendors and individuals across the state of Montana, along with payments to over eight-hundred thousand vendors and employees in 2022. This business unit also processes travel reimbursement payments for all staff within DPHHS while also maintaining procurement credit card reconciliations and payments monthly. In SFY 2022 there were three-hundred and thirty-five credit cards issued to DPHHS employees this unit-maintained reconciliation for.

Procurement Support

Procurement staff provide oversight of purchase orders to ensure compliance with regulatory guidelines and to guarantee goods and services are procured in compliance with open competition, best value, quality service, timely delivery, and transparency. This service ensures DPHHS has competitive and fair procurement processes for Montana businesses to seek through the support of issuing and awarding RFPs. This unit provided oversight to over fourteen-thousand purchase orders totaling over \$30 million in FY22.

Accounts Receivable & Cash Collections

The Accounts Receivable unit oversees the department-wide accounts receivable system along with the processing of checks and money orders. In FY 2022, over \$285 million were collected through the receivables process. In addition to obtaining checks from businesses and individuals, the Accounts Receivable unit collects taxes from individuals to offset debts they have incurred with DPHHS.

Operational Functions

The Operations Support unit provides centralized administration of lease management; records retention and management; and provides central mail room functions and surplus property management. These day-to-day operational functions save taxpayer dollars by ensuring program staff can focus on providing timely, affordable, and effective services to Montanans.

HIGHLIGHTS AND ACCOMPLISHMENTS DURING THE 2023 BIENNIUM

ARPA FINANCIAL RESPONSE

DPHHS was awarded over \$290 million in Federal allocation through the American Rescue Plan Act (ARPA) appropriations. Of these relief funds more than \$140 million have been awarded to support existing partners, clients, and participants to provide direct relief and support due to the impact the COVID-19 Pandemic had on Montana's economy. This funding was approved, awarded, and is being distributed according to the guidance provided by House Bill 632. The development of the transparency tracking internal controls, along with this funding, passed through BFSD's Grant Management Team of only three employees.

Additional resources for cash management, grants management, and accounts payable were necessary due to the large increase in oversight needed to track this funding. BFSD obtained five modified FTEs to ensure existing control structures are maintained to minimize fraud and abuse while these funds are distributed. In FY 2022, manual payments were necessary within the accounts payable unit for much of this funding which caused manual payments to increase six percent from SFY 2020. Existing control mechanisms were utilized for the distribution of these funds. However, in some instances, BFSD designed new mechanisms when necessary for compliance with HB 632.

Fifty-five additional ARPA funding sources were awarded and distributed in this biennium which provided additional support to DPHHS' populations served.

EFFICIENCIES AND COST SAVINGS

Subrecipient Training

BFSD implemented subrecipient training to all division financial staff, as well as internal controls and quarterly review processes, to comply with CFR 200 regulations as they pertain to contract vs subrecipient partnerships. BFSD introduced tools for program staff to utilize when determining contract vs subrecipient partnerships which helped them understand the difference between the two entities. This process has created efficiencies for correctly identifying partnerships and compliance with CFR regulations.

Cost Allocation Business Improvement Process

In FY 2022 BFSD began working with contractor Alvarez and Marsal to develop business improvements for the Department's Public Assistance Cost Allocation Plan (PACAP). The last Federally approved PACAP was in 2016. The Department's subsequent PACAPs, submitted in 2018 and 2020, are currently under review by Federal regulators. The division has written annual PACAP submissions to date and is working with our federal partners to address any questions and ensure timely submission and approval. This process has allowed for new staff to gain an understanding of the Cost Allocation structure, to decrease inefficiencies within the structure, and to move forward with improved training and understandings of how decision processes effect the

PACAP. Full implementation of these business improvement processes is scheduled to be in effect by May of 2023.

The work on this Business Improvement Process has resulted in a robust, detailed review of the current state of the Departments PACAP and allocation methodologies. Improvements to these methodologies have been implemented to increase the departments cost savings in maximizing the amount of Federal Reimbursement claimed for indirect costs. This process has also allowed the Department to assure that compliance with CFR regulated Cost Allocation plans are being followed moving forward.

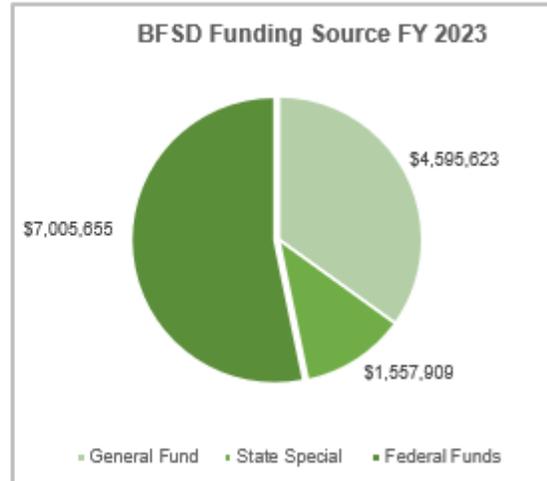
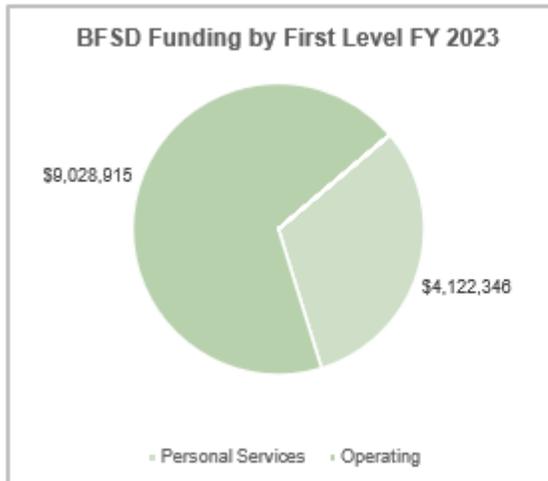
Online/Over the phone payment Process

BFSD is modernizing payments in this biennium. Two of those payments processes are for the TANF and SNAP repayment program. This offers a convenience to our clients while reducing the amount of paper transactions being processed daily. This process has significantly improved efficiency in debt collections for these two programs, provided a convenience for our clients, and has reduced administrative burden.

Additionally, BFSD designed and implemented on December 1, 2022, an online payment process that reduces red tape for our Medically Needy Clients and Montana Medicaid for Workers with Disabilities Cost Share Fees. The process was cumbersome for our clients and often times resulted in payment being returned to clients as the amount of the fee had changed within the time frame that it was received via mail. BFSD implemented an online payment process for clients that eased this burden. We have received an overwhelming number of online payments for these programs along with positive feedback from the clients. Within the first five days of rolling out this process the department collected \$20,000 via online payments.

FUNDING AND FTE INFORMATION

BUSINESS & FINANCIAL SERVICES	FY 2023 Budget	FY 2024 Request	FY 2025 Request
FTE	54	57	57
Personal Services	\$4,122,346	\$4,306,648	\$4,331,614
Operating	\$9,028,915	\$8,210,564	\$7,740,779
Equipment	\$0	\$5,100	\$0
Debt Services	\$7,926	\$7,926	\$7,926
TOTAL COSTS	\$13,159,187	\$12,530,238	\$12,080,319
	FY 2023 Budget	FY 2024 Request	FY 2025 Request
General Fund	\$4,595,623	\$4,185,805	\$3,944,519
State Special Fund	\$1,557,909	\$1,570,247	\$1,561,355
Federal Fund	\$7,005,655	\$6,774,186	\$6,574,445
TOTAL FUNDS	\$13,159,187	\$12,530,238	\$12,080,319



CHANGE PACKAGES

PRESENT LAW ADJUSTMENTS

SWPL 1 – Personal Services

The request includes reductions of \$117,742 in FY 2024 and \$91,023 in FY 2025 to annualize various personal services costs including FY 2023 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

	General Fund	State Special	Federal Funds	Total Request
FY 2024	(\$72,242)	\$8,177	(\$53,677)	(\$117,742)
FY 2025	(\$59,309)	\$9,556	(\$41,270)	(\$91,023)
Biennium Total	(\$131,551)	\$17,733	(\$94,947)	(\$208,765)

SWPL 2 – Fixed Costs

The request includes reductions of \$1,159,161 in FY 2024 and \$1,718,844 in FY 2025 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

	General Fund	State Special	Federal Funds	Total Request
FY 2024	(\$679,498)	(\$22,315)	(\$457,348)	(\$1,159,161)
FY 2025	(\$979,732)	(\$34,380)	(\$704,732)	(\$1,718,844)
Biennium Total	(\$1,659,230)	(\$56,695)	(\$1,162,080)	(\$2,878,005)

SWPL 3 – Inflation Deflation

The request includes an increase of \$336,010 in FY 2024 and \$430,708 in FY 2025 to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with supplies & materials, communications, repair & maintenance, state motor pool, and other services.

	General Fund	State Special	Federal Funds	Total Request
FY 2024	\$176,561	\$10,723	\$148,726	\$336,010
FY 2025	\$228,753	\$13,106	\$188,849	\$430,708
Biennium Total	\$405,314	\$23,829	\$337,575	\$766,718

NEW PROPOSALS

NP 6001 – FTE Request - Quality Control And Workload Transformation

This new proposal requests the transfer of 3.00 FTE from the Healthcare Facilities Division to the Business and Financial Services Division to perform oversight of all accounting processes to assure all state and federal regulations are being met, and to provide enhanced efficiency and accountability in the accounting processes. This change package requests \$612,236 in total funds over the biennium including \$324,546 in general fund, \$30,917 in state special, and \$256,773 in federal funds.

	General Fund	State Special	Federal Funds	Total Request
FY 2024	\$165,361	\$15,753	\$130,830	\$311,944
FY 2025	\$159,184	\$15,164	\$125,943	\$300,291
Biennium Total	\$324,545	\$30,917	\$256,773	\$612,235