## FOLLOW THESE TALKING POINTS IN REFERENCE TO THE GOVERNOR'S MEDICAID PROVIDER RATE STUDY:

- Thank you for appropriating money to conduct an objective, third-party Medicaid provider rate study for Montana.
- We now have sound, empirical data on shortfalls in Medicaid reimbursements.
- We have this information at a rare time when there actually are financial resources available to act on these recommendations.
- Going forward, the Governor's budget proposes funding approximately one-third the differential between what the State pays in Medicaid rates and what the Administration's study identifies as what it needs to pay.
- The full rate study recommendations must be funded ongoing to ensure that Montana has a healthy workforce for the future.
- These costs are an investment that saves money in the long run by providing community-based care rather than high-cost, high-intensity hospitalizations and out-of-state placements.
- This money will help to solve the crisis at the Montana State Hospital as people can be treated in their communities and close to home and family.
- This is an opportunity to finally support and strengthen families and communities across Montana.

## FOLLOW THESE TALKING POINTS IN REFERENCE TO THE MEDICAID PROVIDER ANNUAL INCREASE

- Behavioral Health Medicaid safety net providers are primarily reimbursed by Medicaid, i.e., 80%-95% Medicaid payor mix.
- Medicaid reimburses Montana providers significantly below the cost of delivering the care as the Governor's Medicaid Provider Rate Study has shown.
- Montana has spent $2.7M on a Medicaid Provider Rate Study. To avoid future such expenditures, the state needs to enact the recommendation of the rate study to review provider costs and increase reimbursement routinely.
- We recommend benchmarking healthcare provider rate increases to the annual inflation rate calculated for education, as was done in 2019. Adopting this in statute would provide consistency and certainty and would avoid future dramatic shortfalls such as exist today. This would employ an existing and accepted methodology rather than creating one from scratch or pinning increases to an unsustainable index.

## ADDITIONAL INFORMATION FOR BACKGROUND AND CONTEXT ONLY, NOT AS TALKING POINTS

**Governor's Medicaid Provider Rate Study**

In the 2021 Legislature, the Governor and DPHHS proposed an objective, third-party rate study to determine if Medicaid providers were being paid enough to cover costs. The Legislature appropriated $2.7M to fund the rate study before the 2023 Legislative Session.

Guidehouse (Advisory, Consulting, Managed Services | Guidehouse) was hired to conduct the Governor's Medicaid Provider Rate Study. The study involved hundreds of hours for providers to fill out the cost reports for Medicaid services. The first four sectors of Medicaid studied were adult mental health (including substance use disorder), children's mental health, developmental disability, and senior and long-term care providers.

The ongoing study was reported at every Children's and Families Interim Committee meetings and the Part B Budget meetings. A final report found that an increase in state share of $27,677,32 would cover costs to providers in all 4 sectors studied to date.

**Table 1: Total Fiscal Impact, Add-On Payments Included (State Share)**

| By Population/ Program | Paid at SFY22 | Add-On Payments | Total Current Cost | Benchmark Cost | Change | Difference | SFY22 Percent of Total | Benchmark Percent of Total |
|---|---|---|---|---|---|---|---|---|
| **Total** | **$123,564,452** | **$3,238,893** | **$126,803,345** | **$154,480,678** | **21.8%** | **$27,677,332** | **100.0%** | **100.0%** |
| ABH | $17,636,581 | $4,772 | $17,641,354 | $20,959,394 | 18.8% | $3,318,041 | 13.9% | 13.6% |
| CMH | $28,530,000 | $838,554 | $29,368,555 | $32,601,855 | 11.0% | $3,233,301 | 23.2% | 21.1% |
| DD | $46,978,746 | $0 | $46,978,746 | $59,100,347 | 25.8% | $12,121,601 | 37.0% | 38.3% |
| SLTC | $30,419,125 | $2,395,566 | $32,814,691 | $41,819,081 | 27.4% | $9,004,389 | 25.9% | 27.1% |

The Governor's budget for 2024-2025 biennium proposed about one-third of the total rate increase recommended by the study for each of the four sectors involved in the rate study. There is an additional recommendation of one-time only money in the amount of about half the rate study recommendations that would be funded in 2024 only. In 2025 that one-time only money would disappear. The Governor proposed $25M under package 4444 to be placed in the DPHHS Director's office to cover the one-time only funding.

The rate study clearly showed the cost of providing the care and funding only one-third of that increase will not cover the costs. The one-time only funding can't be used for staff salary increases since it will hit a fiscal cliff in 2025. In this new made-for-TV Montana that we're living in, the cost of housing, daycare, and basic daily expenses far outstrip the pay available for Medicaid safety net employees because of the low reimbursement by Medicaid for services. After funding an expensive, comprehensive, objective rate study, the state should cover the full costs identified for providers.

**There is a simple fix for the legislature: move the $25M from the Director's office and put it into Medicaid to cover the full cost of care for Medicaid providers recommended in the rate study ongoing.**

You can review all the rate study information here: Provider Rate Study (mt.gov)

**Annual Medicaid Increase for Providers**

The 2021 Legislature allocated $2.7M to fund an objective, third-party Medicaid provider rate study for the Governor and DPHHS. The study found that Medicaid providers were paid between 10%-25% below the cost of delivering care and were unable to compete for a workforce. To avoid requiring future expensive provider rate studies, Montana needs to commit to increasing rates by PPI (Producer Price Index) annually to ensure a competitive behavioral health system.

Physicians in Montana already receive a Medicaid increase every year by statute.

**53-6-125. Physician services reimbursement.** (1) The fee for a covered service provided by a physician under the Medicaid program is determined by multiplying the conversion factor times the relative value unit for that service times any applicable policy adjusters.
(2) (a) For fiscal years 2018 and 2019, the conversion factor must be increased, at a minimum, by the same numerical inflation factor calculated in accordance with **20-9-326**.
(b) For each subsequent fiscal year, the conversion factor must be increased, at a minimum, by the same percentage increase as the consumer price index for medical care for the previous year, as calculated by the bureau of labor statistics of the United States department of labor.