

Amendment to Senate Bill No. 154.03
(Second Reading – Second House as Amended)
Requested by the Department of Public Health and Human Services

1. Page 2, line 3

Following: “ BASIS”

Strike: “.”

Insert: “;”

Following: line 3

Insert: “(d) pay providers on a fee for service basis and directly provide administrative services.”

2. Page 2, line 5

Following: “THAN”

Strike: “10%”

Insert: “12%”

3. Page 2, line 17

Strike: “(B) ADMINISTRATIVE EXPENSES MAY NOT INCLUDE ELIGIBILITY DETERMINATION, ADVERTISING, AND OUTRACH FOR THE PROGRAM.”

Insert: “(4) If the department operates the program by providing administrative services as provided under 2 (a), (b) or (d), its administrative expense cannot exceed the lesser of 10% or the applicable federal limitation. “

Explanations :

Amendment 1. As amended, SB 154 clarifies three options that the department may chose to implement the CHIP program:

- 1) pay providers on a fee for service basis and contract for administrative services;
- 2) purchase insurance in a program similar to the existing CHIP program; and
- 3) use a combination of funded fee for service and insurance.

Under SB154 as amended, the Department may continue to purchase insurance and administer the program. (This is the current configuration of the CHIP program.) The Department would like the option of paying providers on a fee for service basis and administering the program. This authority is implied in SB 154’s existing amendments to 53-4-1007 (1) and (2). The proposed language in (d) would eliminate ambiguity by clearly stating that option.

Amendment 2. In its current form, SB 154 would limit an insurer’s administrative expenses to 10% of the premium paid for CHIP coverage. The Department has concerns that no insurer will step forward to provide insurance coverage to CHIP under this limitation. The Department feels that a rate of 12% for administration will allow for insurer interest and participation in the CHIP program, and will not, by default, force the State immediately into self-administration of CHIP.

Amendment 3.. A state's administrative costs may include expenses related to eligibility determination, advertising and outreach for CHIP. As worded, SB 154 could be interpreted to mean that DPHHS may not spend administrative funds on these three functions, which would not be good state policy and DPHHS does not believe was the Legislative intent. Federal regulations limit a state's administrative costs to 10% of the program funds. The purposes of this amendment is to acknowledge that the Montana Legislature understands that if the Department chooses to operate the program directly on a fee for service basis and administer it, pay providers on a fee for service basis and contract for administrative services or a combination of contracted insurance and direct fee for service, the Department's administrative costs may include expenses related to eligibility determination, advertising and outreach for CHIP.