Bob Olson

SENATE PUBLIC HEALTH, WELFARE & SAFETY

EXHIBIT NO. 2

DATE: 4-4-5

BILL NO. HB 749

MHA

AN ASSOCIATION OF MONTANA HEALTH CARE PROVIDERS

MHA, An Association of Montana Health Care Providers, supports passage of House Bill 749. House Bill 749 increases the utilization fee paid by nursing home to increase Medicaid payments for each of the next two years. MHA, together with the Department of Public Health and Human Services and the Montana Health Care Association are proposing this measure in order to increase Medicaid nursing home rates closer to the cost of care.

Montana Medicaid does not currently pay nursing homes for the full cost to provide care for serving Medicaid-eligible patients. Our goal is to use provider fees to match federal Medicaid funds and close the payment to cost gap. Since nursing homes typically rely on Medicaid for 60% of their patient revenues, Medicaid is a crucial payer. Unpaid provider costs must either be shifted onto other patients who have private health insurance or who pay their bills from their own pockets. If a provider is unable to shift those unpaid costs, the nursing home finds itself facing significant financial losses.

HB 749 is the fourth, and MHA believes, the last time the providers will be able to use the provider fee as a meaningful tool to increase nursing home payments. Federal rules currently limit provider fees to 6% of industry revenue. The proposed fee amounts puts this program very near the federal limit. While nursing homes would prefer that the State general fund or other revenue sources be use to finance the Medicaid program, we are willing to use this mechanism to resolve the funding problem for the next two years.

MHA does point out that future funding needs for this program will likely need to be met by means other than provider fees.

MHA also notes that future federal budget action may change the statutes and program requirements for provider fees and Intergovernmental Transfer payments (IGTs). Still, the current environment allows us to use this funding source, and we believe it makes fiscal sense to continue this program until federal rules do change.

Consumers sometimes are confused about who pays the cost for the nursing home fee. Current statute forbids a nursing home from putting the utilization fee on the patient bill. But nursing homes that participate in the Medicaid program secure far more new revenue because of the fee, more than offsetting the cost to the facility. In fact, private pay rates would be significantly higher without the fee. HB 749 is really a bill to reduce cost shifting and help keep private rates lower.

Our shared funding goals for the nursing home program are to raise nursing home

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payments from the current $121 per day level up to $137 in SFY 06 and $144 in SFY 07. HB 749 provides an important enhancement to the amount proposed in HB 2. HB 2 includes continued funding for the base budget, re-authorization of the IGT program and I-149 funds to provide a one time 3% rate hike plus some direct care wage funding.

HB 749 is needed to help the Medicaid program keep their payments in line with costs. Thank you for support of this measure.

**Explanation of HB 749**

**Section 1:** The statute is amended to increase the utilization fee by $1.75 in State Fiscal Year 2006, and by an additional $1.25 in State Fiscal Year 2007.

There is an amendment. The beginning date for the fee effective in State Fiscal Year 2007 needs to be July 1, 2006.

**Section 2:** The state special revenue generated by the fee is directed to nursing homes.