EXHIBIT 2
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HB

Montana Regional (Five County) Demonstration Project
DRAFT Concept Document for Discussion with CMS
Submitted by Mary E. Dalton, State Medicaid Director
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Background

A 2007 Kaiser report of Medicaid payments per enrollee, comparing average costs of providing health care to individuals covered by Medicaid across states, revealed that Montana spends $6,385 annually. This report ranks Montana 13th highest of 51 states. *(http://www.statehealthfacts.org/comparemaptable.jsp?ind=183&cat=4)*

Seeking to save valuable state and federal dollars, Montana has set a target of ten percent reduction in total Medicaid costs in the proposed geographic area of the regional managed care demonstration. Montana hopes also to improve the access to, and quality of, health care through the demonstration. Montana will explore how to meet the many cost and care management challenges that Medicaid and CHIP enrollees present while also complying with federal requirements for a 1915(b) waiver.

Montana's rural and frontier nature adds a level of complexity in providing health care services to eligible individuals. Montana is the fourth largest state in the United States, with 147,036 square miles. All of Pennsylvania, West Virginia, Maryland, Delaware, Virginia, and New Jersey would fit into Montana, with about 10,000 Montana square miles left over. Envision driving from Washington D.C. to Milwaukee, Wisconsin, a trip of 635 miles. Driving from the east edge of Montana to the west edge is a trip of 630 miles, nearly the same distance. According to Census.gov, the 2009 population estimate of these six northeastern states is 37,569,473, compared to Montana's 2009 population estimate of 974,989. Almost half of Montana's population lives in frontier counties with fewer than 50,000 residents, averaging fewer than six people per square mile. Delaware, by contrast, has 440 people per square mile. (Source: www.census.gov.)

Demonstration populations

All individuals currently covered under Medicaid and CHIP residing in five contiguous counties are included in the demonstration. Counties include Cascade, Chouteau, Judith Basin, Lewis and Clark, and Teton. These centrally-located counties represent a mix of urban, rural, and frontier populations. Great Falls in Cascade County is also a hub for serving people covered by Indian Health Services who need services not available on nearby reservations.

Great Falls in Cascade County meets the Metropolitan Statistical Area definition. Helena in Lewis and Clark County has a Micropolitan Statistical Area definition. (Source: http://www.census.gov/population/www/metroareas/metrodef.html Dec. 2009).

The target population for this 1915(b) waiver includes individuals enrolled in all Medicaid categories and all CHIP enrollees in these counties. Enrollment in managed care will be mandatory for all eligible individuals.

County	Medicaid enrolled September 2010	CHIP enrolled July 2010
Cascade	9,383	1,068
Chouteau	420	123
Judith Basin	185	53
Lewis and Clark	6,343	803
Teton	634	200
Total	16,965	2,247

Benefit package
All State Plan and waiver services currently provided to Medicaid and CHIP enrollees are included in the benefit package.

Delivery system
Services will be delivered by one managed care entity that will be selected through a competitive RFP process for the region. The ability to limit the delivery system to one managed care entity is crucial given the limited number of enrollees in the target counties. Having more than one managed care plan would not provide a population large enough to attract qualified managed care plans if the number of enrollees must be split between more than one plan.

Cost share
Montana will limit enrollee cost share to current levels and does not propose to increase cost share requirements.

Payment methodology
Montana's regional five county managed care project will be a full risk capitated managed care plan. Montana will contract with an actuarial firm to obtain rate development for this project.

Region status
Because population totals vary among the designated counties, Montana proposes to structure the project as a regional, rather than a county-based, concept.

All five counties in the demonstration are non-metropolitan Health Professional Shortage Areas (HPSA) for primary care, dental, and mental health services, and Medically Underserved Areas (MUA). In addition, Lewis and Clark County has a Medically Underserved Population (MUP) designation. (Source: http://hpsafind.hrsa.gov and http://muafind.hrsa.gov.)

Cascade and Lewis and Clark counties each have one prospective payment hospital. Chouteau and Teton counties each have one critical access hospital. Judith Basin County does not have a hospital.

Compliance with Applicable Requirements
Montana will comply with all applicable federal and state requirements for obtaining a 1915(b) waiver.

Value of demonstration
With all enrollees served by one regional mandatory managed care plan, the opportunity exists to test the popular assertion that privately managed health care can be delivered less expensively than health care delivered by state government. The state knows of no other area in the United States where all Medicaid enrollees are included in a single managed care program, even with more than one managed care entity. Montana's demonstration will provide valuable information for CMS and other states that may be interested in this concept.

With the implementation of health care reform under the Affordable Care Act, Montana estimates that between 55,000 and 84,000 individuals will become eligible for Medicaid. Montana's current Medicaid enrollment is 100,586. Health care reform will result in a major increase in the numbers of people receiving health care coverage under Medicaid. Developing a managed care demonstration at this time will enable the state to evaluate the feasibility of covering current and expanded populations with managed care at a statewide level in the future.