

EXHIBIT 1
DATE 1/21/2011
HB

DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES



Brian Schweitzer
GOVERNOR

Anna Whiting Sorrell
DIRECTOR

STATE OF MONTANA

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January 21, 2011

Representative Don Roberts, Chair
Appropriations Subcommittee
Health and Human Services
State Capitol Building
Helena, MT 59620

Dear Chairman Roberts:

The following information is in response to a January 17, 2011 request from the Health and Human Services Joint Appropriation Subcommittee (Subcommittee) request for information on the proposed Montana Regional Five County Medicaid Demonstration Project. The request asked for several documents and answers to specific questions from the Subcommittee.

The Department prepared a binder with the following requested documents:

- **Attachment 1:** The most current working draft of the RFP. **NOTE: The draft RFP is not complete and is not ready for release. It reflects the Department's work through January 19, 2011. Before release, there will be numerous changes. It has not been revised or approved by the DPHHS Management Team or the Director. Please keep in mind the draft RFP will need to be submitted to the Center for Medicare and Medicaid Services for their review and approval.**
- **Attachment 2:** The most current project management timeline with milestones and persons responsible for implementation. **NOTE: Revisions will be made based upon receipt and review of actuarial data and communication with CMS. We anticipate major revisions to the timeline.**
- **Attachment 3:** A detailed description of the public comment process that DPHHS will follow to receive comment on the draft RFP, including times proposed for public comment and how DPHHS will evaluate and potentially incorporate public input.
- **Attachment 4:** The due diligence process DPHHS plans to follow with respect to evaluation of the successful bidder, including identification of specific business processes and procedures that DPHHS will evaluate and how DPHHS will determine whether those processes and procedures are effective and meet contract requirements.
- **Attachment 5:** A copy of the actuarial contract.

The Department of Public Health and Human Services (DPHHS) response to the Subcommittee's questions are as follows:

1. **When will DPHHS receive actuarial rates?** About 6-8 weeks. The term of the contract is December 2010 to November 2011 and may be extended.
2. **Which actuarial firms did DPHHS contact and what rates were quoted for the work?** DPHHS contracted with Mercer Health & Benefits LLC. The rates quoted for the work were in the \$125,000 to \$140,000 range. A second company, Milliman, Inc., quoted a figure in the "low six figure range." It is important to note that under 18-4-132 M.C.A, actuarial services are exempt from the Montana Procurement Act.
3. **What is the amount of the actuarial contract and what is the source of appropriation authority, the amount to be paid by fund source, and the program that will provide the funding?** The amount is not to exceed \$140,000, split evenly between general and federal funds. The funding comes from HB645 that includes an appropriation of up to \$1 million of general fund and \$1 million federal funds for administration directly attributable to the American Recovery and Reinvestment Act of 2009, Public Law 11-5, or to Medicaid benefits.
4. **When did the Governor's Office begin meeting with Centene about possible Medicaid savings? Are those meetings continuing? If not when did the meetings stop?** Governor Schweitzer had one meeting with representatives from Centene about coordinated care in August of 2009.
5. **Is DPHHS aware of any other state or situation where all Medicaid services are combined in a managed care contract? If so, which states? If not, what other state Medicaid managed care programs are the most similar to the one being proposed by Montana?** DPHHS is not aware of another state in which one managed care organization provides all Medicaid services. DPHHS staff have reviewed numerous states with individual components that appear promising but for the purposes of this question, we recently looked at the following state programs:

Illinois: Sixteen-county program; HMO or PCCM (Medicaid clients choose) deliver the full spectrum of Medicaid covered services. In six counties, an integrated care program is available; target population includes all Medicaid eligible individuals who are aged, blind, or disabled. The following are excluded: children under 19 years of age; dual eligible individuals; American Indian/Alaskan Natives; medically needy; presumptively eligible; participants in breast and cervical cancer program; and individuals covered by comprehensive third party insurance.

Maryland: Statewide mandatory managed care program; Medicaid clients choose from seven managed care organizations. All Medicaid eligible individuals are enrolled, except dual eligible individuals, people over 65, medically-needy eligibles, institutionalized persons, people eligible under a waiver. Some services are carved out from the managed care benefit and paid by Medicaid on a fee-for-service basis, including services included on a child's IEP or ISP; specialty mental health services; personal care services; long term care services; HIV/AIDS viral load and drug resistance testing; transportation services; and therapy services for children under 21 years of age.

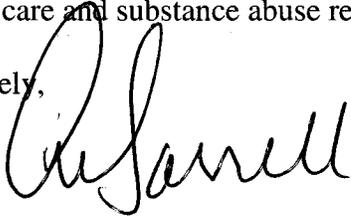
Tennessee: Statewide mandatory managed care program. The principle being demonstrated by TennCare is that a state can organize its Medicaid program under a managed care model and generate sufficient savings to extend coverage to additional populations who would not otherwise be Medicaid eligible, without compromising quality of care. TennCare is the only program in the nation to enroll the entire state Medicaid population in managed care. Each of three regions offers a choice of two MCOs.

Cc:
Terry Krantz
Mary Dalton

Tennessee also has a back-up MCO that covers children in foster care and institutions, and disabled children.

Iowa: Mandatory managed care program available in some counties. Choice between one HMO or PCCM program. Services carved out of managed care: HCBS waiver; long term care; institutional services; dental services; prescription drugs; family planning services. Eligible groups vary from county to county, depending on provider panels available. Waiver eligible individuals receive integrated mental health care and substance abuse rehabilitative services.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Sorrell".

Anna Whiting Sorrell, Director

Cc:

Terry Krantz
Mary Dalton