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January 23, 2012

MT Legislature--Child, Family, Health & Human Services Interim Committee
RE: Impacts of Medicaid Fee Reduction on Providers

Senator Jason Priest, Chairman:

Mr. Chairman and members of the committee, my name is Lora Cowee and I am the Director of Operations at Intermountain, a provider of a variety of mental health services to children and families in Montana for over 100 years. Intermountain provides services to over 1,100 children and families in the last year. Our Residential Program provides services to children from Montana and nationally. Additionally Intermountain's community services can be found in Helena, Missoula, Ronan, Kalispell, Great Falls, and Butte areas.

Geoff Birnbaum from Youth Homes, who testified today on behalf of providers, has presented the committee with the many impacts that providers have felt over the years from inadequate rates. This narrative will augment his information.

To understand the impact of rates on our programs an inspection of expense characteristics must also be considered. While rates have remained in some cases stagnant and others have decreased, the expense of operating these needed community programs and services have increased. Providers were aware that as a result of the 2011 Legislative Session, we would receive a rate decrease. Anticipating this, we cut expenses in the attempt of ensuring the community needs would continue to be met at a high level. The dilemma is that there wasn't much to cut back as we have been living with inadequate rates for years. For many years, providers have had to increase fundraising efforts while continuing to cut expenses. Cuts to expenses are at a point where they may begin to impede the level of care that our current environment demands. Its come down to staff, already modestly compensated for the work they do in the care of children, literally subsidizing financial sustainability by contributing more of their salaries in terms of benefit participation and the absence of Cost of Living Adjustment increases.

Further, there is the complicating factor of expenses that are largely uncontrollable. This aspect has a great impact on our capability to sustain rate decreases. To be specific, here are a few examples:

Since Fiscal Year 2010 (July 2009- June 2010) our organization has experienced a(n):

- ✓ 8% increase in Payroll Taxes
- ✓ 33% increase in Unemployment Taxes
- ✓ 20% increase in Workman's Compensation Insurance
- ✓ 24% increase in Electricity
- ✓ 26% increase in Natural Gas
- ✓ 35% increase in Telephone Services
- ✓ 14% increase in Water/Sewer
- ✓ 6% increase in Auto Insurance
- ✓ 47% increase General Liability Insurance
- ✓ 6 % increase in Food and Gas for Vehicles

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CHILDREN & FAMILIES INTERIM COMMITTEE
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**Exhibit 19**

These are expenses that are impacted by inflation. We can't cut back in any of these areas as they are required to operate.

Additionally, as mentioned above, the expense of providing benefits to our staff has been hit hard. As an organization the staff annual increases related to Health Insurance have become too much to sustain. In order to continue to provide Health Insurance benefits to staff, we have had to shift, as pointed out above, the expense of the increase to staff. Sharing the expense of insurance is one of the ways we can continue to offer the benefit and provide services to the community. Additionally, we offer a pension program to our staff. This has become harder to afford. Since FY10, the fees associated with this and Intermountain's contribution match has increased 16%. One of the considerations we continue to weigh each budget year is the agency pension match and if it as affordable from the standpoint of the agency's financial sustainability. We have already decreased the amount of match Intermountain contributes. The match is now so low that the next step would be not offering a match at all. Benefits such as this are critical in our ability to attract, compete for and retain top level direct care staff in an environment where it is already difficult to recruit and retain quality people.

Keep in mind that these increases in expenses come at a time when we have built in measures to cut expense to mitigate rate decreases. So, with these increases, we are already implementing many other cost/expense savings as any business would. A few examples of these are:

- ✓ Deferring any Information Technology and Facility upgrades or expenses; eventually this will not be sustainable as 2014 is the timeline mandate to have enhanced electronic technology in place.
- ✓ Cut back on administrative and supervision activities of clinicians in that they can tend to more clients and increase production. This is detrimental and myopic to staff development.
- ✓ Cut back on marketing and public relations which decreases our ability to attract Intermountain supporters and fundraising.
- ✓ Shift towards more private insurance and private pay clients; serve less Medicaid clients who tend to be needier and ultimately, as they age, form a larger potential that, given the absence of services, will require even costlier public support.
- ✓ Cut training and travel that impedes staff knowledge of the latest trends and treatment advances.
- ✓ Cut other benefits to staff that is less attractive to higher qualified care givers.
- ✓ Increase vacancy savings by putting off hiring roles.
- ✓ Lay off staff in certain programs - still meet minimum requirements - but decrease higher staff ratio that detracts from developing staffs quality experience and training/development.
- ✓ Increasing the amount required to fundraise to meet annual budget requirements…however Montana is limited overall in it's ability to generate charitable fundraising due to demographics.

In summary, we have implemented extreme cutbacks to deal with the impact of lower rates and increased and uncontrollable expense. As a result from FY10 to the current budget cycle, the overall impact has been a 10% increase in expense. This has been met with the attempt to increase fundraising to meet annual budget while cutting expense in the areas mentioned above while passing expense to staff, and limiting the amount of Medicaid clients served. We are doing everything we can to keep programs and services viable while avoiding job loss or program closures. Since the start of FY12 (6 months into this budget cycle), we estimate that we have lost $140,000 in treatment fees with the decrease to Medicaid rates coupled with the increased operating expense. In this fiscal year, we will have to fundraise $2.5 million of our $11 million dollar budget in a limited demographic environment. Intermountain hasn't offered a staff Cost of Living Raise since 2008. We are hanging on by our fingernails and avoiding quality care decreases to the clients we serve who desperately, in most cases through no fault of their own, require our services.

With the lack of adequate rates coupled with the increase in expenses, we are at a point where there really isn't anymore "give" in the annual budgets. Compounding this are external pressures such as Medicaid Audits, regulation increases covering licensing without any funding support for the expense of administering the additional requirements, and expense increases of serving clients with quality staff.

Providers employ people in our communities. We serve children and families in our communities. If we don't serve them through our services, payment will rise up in other ways including corrections or education systems that tend to have much greater fund cost and community impact at large. Our employees add to the economy in Montana towns. Intermountain alone employs 190 people that serve over 1,100 children and their families, in our communities. We respectively implore you to seek and keep in mind the larger picture of inadequate rate impacts on our communities and community services as you prepare for another legislative session. Impacts can be felt not just by clients served, but by the communities you represent. Thank you.

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