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Select Committee on Efficiency in Government

62nd Montana Legislature

SENATE MEMBERS

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EDWARD BUTTREY
MARY CAFERRO
JIM KEANE
EDWARD WALKER
DAVID WANZENRIED

HOUSE MEMBERS

MARK BLASDEL
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DAVID NISS, Staff Attorney
DAWN FIELD, Secretary
SUE O'CONNELL, LSD, Health Care
JASON MOHR, LSD, Nat'l Res.
QUINN HOLZER, LFD, Health Care
TARYN PURDY, LFD, Budgeting Process
BARBARA SMITH, LFD, Technology
LOIS STEINBECK, LFD, Health Care

May 22, 2012

Anna Whiting Sorrell, Director
Department of Public Health and Human Services
111 North Sanders
Helena, Montana 59604-4210

Dear Director Whiting Sorrell:

At its May 15 meeting, the Select Committee on Efficiency in Government approved a letter that will be sent to the 2013 Legislature regarding funding for utilization review of children's mental health services. The letter suggests that the next Legislature reduce funding for these services so that the state pays only for the reviews required by federal regulation. As you know, the Department of Public Health and Human Services currently contracts for review of several services in addition to the required review of treatment that involves inpatient psychiatric services in a psychiatric facility or program.

The Committee wanted to notify you of its recommendation to the 63rd Legislature because members are aware that DPHHS is in the midst of finalizing a utilization management contract with Magellan Medicaid Administration, Inc. We understand that the contract would be awarded for multiple years. Thus we feel it's important to make you aware that the contract may need to be revised in the future if the 63rd Legislature does, indeed, limit funding to pay for only federally required utilization review.

The Committee was provided at its meeting with information from Appendix B of Request for Proposal 12-2259P, issued on February 3, 2012, and titled "*Utilization Management Services: Children's Mental Health.*" Members are aware that the draft contract language provided to potential offerors stated that DPHHS may terminate part or all of the contract if federal or state funding for the contract becomes unavailable or is reduced for any reason. The language also stated that the DPHHS must provide at least 60 days' notice before termination, unless the parties agree to a shorter notice period. The proposal submitted by Magellan indicates that the company has read Appendix B and has agreed to comply with the requirements of that contract language.

You indicated to the committee on May 15 that DPHHS is entering the contract refinement stage of the process. We would encourage you to negotiate with Magellan to allow the contract to be terminated with less than 60 days' notice should federal or state funding be unavailable or reduced. We anticipate that the 63rd Legislature will adjourn on April 27, 2013. If the final budget is not adopted until April 27, the governor will have an additional 10 days -- until May 7 -- to review and act on the budget bill. If the Legislature reduces funding for the utilization management contract, the reduction would be effective July 1, 2013. Thus DPHHS would not be able to provide the required 60-day notice of a change in the contract terms.

The Committee agreed to send this letter to reinforce to you and the potential vendor that the utilization review appropriation will be brought to the attention of the Senate Finance and Claims Committee and the House Appropriations Committee in 2013.

A copy of the Committee's letter to the 63rd Legislature is included for your information. We encourage you to share that letter and this letter with Magellan as you continue the contract refinement process.

Sincerely,



Sen. Jon Sonju
Presiding Officer

c: Brad Sanders, Chief
State Procurement Bureau

Enclosure

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TO: House Appropriations Committee and
Senate Finance and Claims Committee of
the 63rd Legislature

FROM: Jon Sonju, Presiding Officer

RE: Appropriation for Utilization Review of Children's Mental Health Services

DATE: May 15, 2012

During the 2011-2012 interim, the Select Committee on Efficiency in Government heard from interested parties about the process used by the state to review treatment plans for certain children's mental health services before the services are provided.

This so-called "utilization review" is formalized in a contract between the Department of Public Health and Human Services (DPHHS) and Magellan Medicaid Administration, Inc. Under this contract, Magellan reviews the following services before they are provided to children 17 years of age or younger:

- admission to a psychiatric residential treatment facility (PRTF);
- psychiatric inpatient hospitalization;
- services involving partial hospitalization;
- therapeutic group care;
- therapeutic family care and therapeutic foster care;
- therapeutic home visits;
- outpatient therapy sessions if a patient has received 24 sessions and a provider is recommending additional sessions; and
- certain community-based psychiatric rehabilitation services if they are being provided in conjunction with some other services.

The federal government requires prior review of children's mental health treatment that involves inpatient psychiatric services in a psychiatric facility or program. Thus the federal government requires this review only for treatment at a psychiatric residential treatment facility or a hospital.

Clearly, Montana has chosen to require review of a number of additional services.

The utilization review contract that was set to expire on June 30, 2012, had been in place for seven years. In the final year of the contract, DPHHS was to pay Magellan \$1.7 million for utilization review and related services.

Committee members heard from DPHHS, Magellan, and interested parties about the reasons for utilization review and the provisions of the current contract. As a result, we agreed to recommend that the 63rd Legislature reduce the appropriation for utilization review services and pay for only the utilization review required by the federal government.

We believe the reduction will benefit children with mental health problems, Medicaid providers, and the state. Children would benefit because necessary services are less likely to be delayed by utilization review or a provider's appeal of a denial of services. Providers would benefit because they would receive prompt payment for the services they believe will improve a child's mental health and lead to treatment in a less restrictive setting.

Finally, the state would benefit because reducing the number of services reviewed by an outside company would reduce the costs of utilization review. Paying only for the utilization review required by the federal government would save the state more than \$1 million.

Thus the Select Committee on Efficiency in Government respectfully requests that future utilization review contracts cover only the federally required services. Along with the other members of the Select Committee, I sincerely hope that the House Appropriations and Senate Finance and Claims Committees of the 63rd Legislature will give this request serious consideration.