



Children, Families, Health, and Human Services Interim Committee

PO BOX 201706
Helena, MT 59620-1706
(406) 444-3064
FAX (406) 444-3036

67th Montana Legislature

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July 18, 2022

Governor Greg Gianforte
PO Box 200801
Helena, MT 59620-0801

Dear Governor Gianforte,

Guidehouse Inc. recently briefed the Children, Families, Health, and Human Services Interim Committee on the preliminary results of its study of Medicaid provider rates. Committee members learned that Montana's reimbursement rates lag behind actual costs for most Medicaid providers and are likely a strong contributing factor to the lack of access many Montanans experience in trying to obtain the health care services they need.

Based on the Guidehouse presentation and the work we've done this interim, committee members agreed to ask that your administration review potential funding sources that would allow the Department of Public Health and Human Services to raise Medicaid reimbursement rates now, rather than waiting until the next biennium.

The briefing we received June 27 only reinforced the information the committee has heard from numerous providers this interim while we've been studying the current status and needs of Montana's publicly funded mental health system. Over the last year, the committee has time and again heard about the ways in which Montana's low Medicaid reimbursement rates have affected the system, particularly in contributing to problems in hiring and retaining mental health staff. These problems exist at all levels of care, from direct-care workers to psychiatrists. We have also learned how providers are unable to offer services to some of our state residents who have the highest levels of need. Many more children are being sent out of state for intensive services than in past years, while many adults can no longer find the services they need in their own communities – particularly crisis services.

The committee hopes that as a result of the Guidehouse study, you will propose and the Legislature will adopt a budget for the 2025 biennium that implements rate increases in keeping with the study findings. However, any changes resulting from that budgeting process will not go into effect for another year.

Committee members believe our mental health system will only continue to deteriorate if providers must wait another year for a significant increase in rates. So after hearing the Guidehouse results on June 27, we voted to ask you to review all potential funding sources to immediately address the rate gaps identified by the rate study. Without action in this fiscal year, providers may be forced to shutter more services or stop providing services altogether.

The Guidehouse study showed a gap of \$82.4 million between the payments currently being made to all Medicaid providers and their actual costs of doing business. The state's share of that difference totals \$27.7 million. Behavioral health services made up just over \$20 million of the difference, with the state's share equaling about \$6.5 million.

The committee is hopeful that you can find existing funds that have enough flexibility in their appropriation authority to be spent on increasing provider rates now. Ideally, the funding sources would be able to draw down the federal Medicaid match. But even if it's not possible to obtain the federal Medicaid funds, the committee believes that the one-time use of other available federal funds or state-only funds would be appropriate to address this situation. Potential funding sources may include, but aren't limited to:

- the ending fund balance;
- marijuana taxes; or
- American Rescue Plan Act funds that could be used to support the needs of our mental health workforce and mental health system.

Thank you for your consideration of this request. I'd be happy to convey your response to the committee members at our final meeting on August 25-26.

Sincerely,

Representative Ed Stafman, Presiding Officer
On Behalf of the Children, Families, Health, and Human Services Interim Committee

c: DPHHS Director Adam Meier
DPHHS Chief of Staff Charlie Brereton
Scott Mendenhall, ARPA Program Manager