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GOVERNOR

DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES

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DIRECTOR

TO:	Children, Families, Health, and Human Services Interim Committee
FROM:	Gene Hermanson, Medicaid Chief Financial Manager
RE:	53-6-406, MCA
Date:	August 30, 2024

Summary

HB 65, passed by the 2023 Legislature, updated 53-6-406, MCA, was originally adopted by the Legislature in 2015. The original language required a provider of personal assistance or attendant services to submit cost information to the Department of Public Health and Human Services (DPPHS) annually. The law also required DPHHS to develop a format to collect and analyze such information routinely. The 2015 fiscal note outlined associated costs to implement, but no funding was ever provided by the Legislature to do so.

In 2021, DPHHS contracted with Guidehouse to conduct a comprehensive provider rate study of Medicaid services to address various legislative directives. This rate study was published in the summer of 2022 and resulted in the funding of historic Medicaid provider rate increases during the 2023 legislative session. As of July 1, 2024, all studied services are being reimbursed at the benchmark rate identified in the study.

In addition to the benchmark rates, Guidehouse recommended that DPHHS collect cost data from providers on a recurring basis so that it can make decisions about future rates using comprehensive data and analysis. The rate study also included a list of recommended cost reports, cost reporting data and supplemental material, and administration and operational considerations for implementing cost reporting.

Consistent with the rate study recommendations, HB 65 broadened the scope of home and community-based services (HCBS) providers required to submit annual cost information to DPHHS. HB 65 also expanded the provider reporting requirements to include revenues and requires DPHHS to submit a comprehensive HCBS cost report to the Legislature every September preceding a legislative session. DPHHS proposed a complimentary request to transfer 4.50 FTE from its Healthcare Facilities Division to implement a cost reporting structure to continue the data collection and analysis efforts from the 2023 Biennium provider rate study. The Legislature did not approve the 4.5 FTE transfer during the 2023 legislative session nor provided any separate funding to implement HB 65. Without funding or FTE to implement HB 65, DPHHS is limited in its ability to establish a robust and sound cost reporting structure that would meet the intent of 53-6-406, MCA.

Fiscal Accountability for HCBS Services

DPHHS is using the small number of hours remaining in the provider rate study contract with Guidehouse to comply with Sections 1 and 2 of 53-6-406, MCA. Section 1 requires certain HCBS providers to submit cost information to DPHHS each year, and Section 2 requires DPHHS to develop a standardized format for the information that includes the recognized revenues and expenditures incurred by providers.

DPHHS is working with Guidehouse to finalize the list of all services and associated providers under 53-6-406, MCA requirements. The Department and Guidehouse are also exploring whether exemption criteria are warranted for particular types of providers within this group. As part of the original rate study, Guidehouse reviewed potential exemption criteria for “small providers” that would find cost reporting to be especially burdensome administratively and examined implications for excluding non-Medicaid-dependent provider groups.

Based on the final list of services and providers required to comply with cost reporting, DPHHS will finalize the format/template for submitting cost information. A provider instruction manual for completing the cost reports will also be developed.

Guidehouse is also assessing provider readiness issues and developing recommendations for conducting a cost-reporting pilot prior to full rollout. This work with Guidehouse is expected to be completed by the end of the calendar year.

While the Department’s current efforts will allow for the collection of provider cost information, the agency needs more resources to comply with 53-6-406, MCA, Section 3. This section of the code requires DPHHS to analyze provider cost information to determine the reasonable cost of providing HCBS services, the percentage of costs represented by direct care staff compensation, and the level of profit and loss incurred by each provider in delivering services, as measured by the expense of providing a Medicaid-covered service versus the reimbursement received.

In the provider rate study, Guidehouse estimated that each type of cost report would require approximately 0.7 FTEs to review and audit the provider cost reports and manage the process. For example, in one peer state that manages Medicaid programs of similar magnitude and serves similar populations, 4.25 FTEs are required year-round to manage six cost-reporting templates and associated processes. The team is comprised of three auditor FTEs, one supervisor FTE who provides subject matter expertise and oversees the work of the three auditors, and 0.25 supervisor FTE who serves as a liaison between the auditors and the State.