

## MEDICAID PROVIDER RATE ADJUSTMENTS 2025 BIENNIUM

**Summary:** The Medicaid program provides health care coverage to over 300,000 low-income Montanans. Providers serving Medicaid enrollees are reimbursed for covered services billed to the Department of Public Health and Human Services (department). The department is requesting additional funding in the 2024/2025 biennium to increase reimbursement rates for physical and behavioral health care services across the program. The department's request is a mixture of one-time only payments, new rate adjustments and statutorily adjusted rates in caseload packages. The rate methodology is supported by in part by contracted rate studies.

**Background:** At the request by the legislature during the 2021 biennium, DPHHS contracted with Guidehouse to perform two rate studies. Guidehouse performed analyses and provided benchmarks for new rates for an array of programs and services reimbursed by the department. The programs in which rates were studied include Adult Behavioral Health, Children's Mental Health, Developmental Disabilities, Senior and Long-Term Care (including Nursing Homes.) The Guidehouse methodology calculates a total rate adjustment of \$137 million per year for a subset of provider types. Combining the Guidehouse Study benchmarks with the department's statutory requirements and rate adjustments for provider types and services that were not included in the studies would require an estimated impact of **\$112 million general fund and \$386 million total funds for the biennium.**

Funding required to implement to benchmark in both provider rate studies			
Fund Type	FY 2024	FY 2025	Total
General Fund	\$51,658,513	\$59,502,158	\$111,160,671
State Special	\$240,933	\$794,933	\$1,035,866
Federal Fund	\$119,262,924	\$154,597,043	\$273,859,967
<b>TOTAL FUNDS</b>	<b>\$171,162,370</b>	<b>\$214,894,134</b>	<b>\$386,056,504</b>

**Funding Request:** The department proposes provider rate adjustments that strike a balance between the immediate need to provide necessary resources and an incremental approach to adjusting ongoing rates responsibly. In addition, the department's proposal considers that as we transition out of the public health emergency growth in the health care system will likely slow and an incremental solution is requested. In the first year of the biennium the proposed rate increases are a mixture of rate adjustments and one time only payments. Utilizing one time only payments in SFY 2024 to support providers recognizes the immediate need of many providers in the care continuum, especially as they seek to stabilize in a post-COVID environment. In the second year of the biennium the department proposes to increase base rates to reduce the differential between current rates and benchmark rates outlined in the two provider studies. For those rates not studied, the department proposes a 4% increase in rates each year of the biennium. In some

cases, the rate studies suggest a rate should decrease. For all rates with a suggested decrease the department holds at the current rate.

**Assumptions Used to Build the Budget Request:**

- The department has structured its funding request so that services found to be most under reimbursed in the Guidehouse study would receive the greatest percentage rate increase.
- Services that are funded through statutory accelerators are included in the present law caseload change packages with a projected rate adjustment of 3.2% in each year of the biennium.
- The budget request for rates not studied is 4% in FY 2024 and an additional 4% in FY 2025.
- Permanent funding is requested for studied rates at 10% of the gap between the current rate and the rate benchmark in SFY 2024 and 36% in SFY 2025.

OTO payments made in the first year of the biennium provide an additional 48% of the benchmark gap in SFY 2024 to stabilize providers as we move towards the end of the public health emergency. Total payments in FY 2024 are expected to be 58% of the differential between base and benchmark.

**Funding Request for Medicaid Providers**

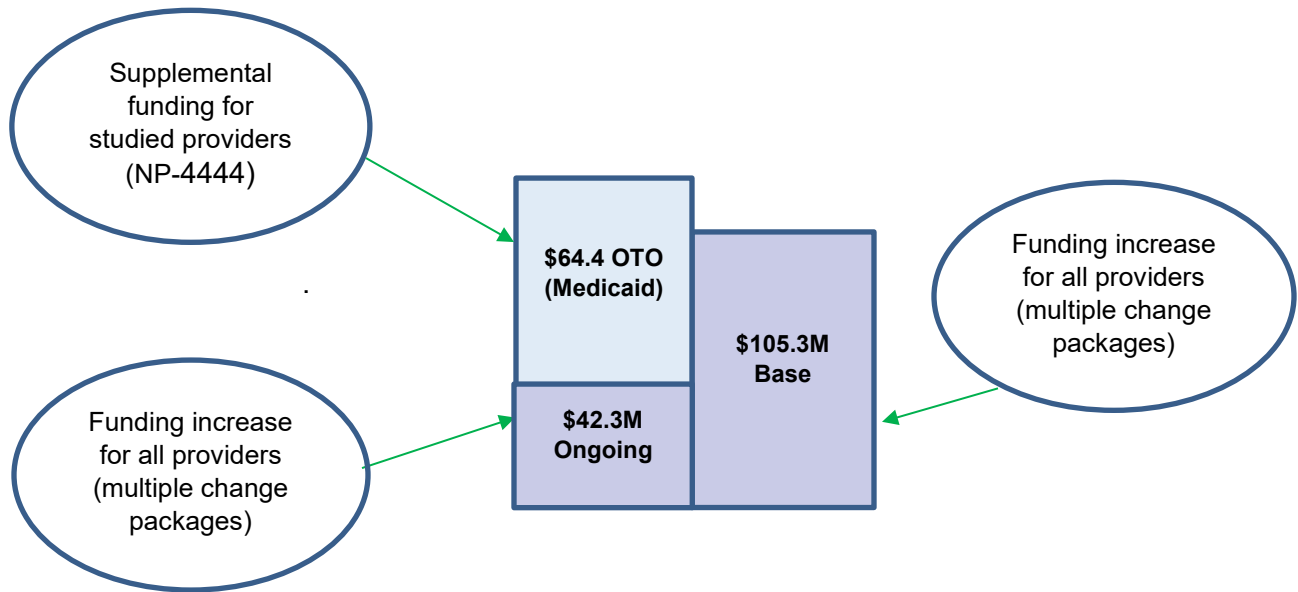
<b>Medicaid Provider Rate Adjustment Request (10%/36%)</b>			
<b>Fund Type</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Total</b>
General Fund	\$9,111,381	\$25,487,825	\$34,599,206
State Special	\$240,933	\$794,933	\$1,035,866
Federal Fund	\$32,975,995	\$79,114,903	\$112,090,898
<b>TOTAL FUNDS</b>	<b>\$42,328,309</b>	<b>\$105,397,661</b>	<b>\$147,725,970</b>

\*\* PRA packages do not include 3.2% PRA for Physician Statutory

<b>OTO/BIEN Change Package</b>			
<b>Fund Type</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>Total</b>
General Fund	\$12,500,000	\$12,500,000	\$25,000,000
State Special	\$0	\$0	\$0
Federal Fund	\$22,969,436	\$22,969,437	\$45,938,873
<b>TOTAL FUNDS</b>	<b>\$35,469,436</b>	<b>\$35,469,437</b>	<b>\$70,938,873</b>

\*\* OTO Change package includes non-Medicaid funding in the amount of \$6,508,383 (50%GF/50%FF)

Below is a graphical illustration of the department’s total funding request (state and federal funds).



### Provider Rate Methodology Examples

Service	Included in Study?	Current Rate	Guidehouse Benchmark Rate	FY 2024 Proposed Rate <sup>1</sup>	FY 2025 Proposed Rate <sup>2</sup>	Biennial % rate increase
A	Yes	\$100	\$120	\$111.60	\$107.20	7.20%
B	Yes	\$100	\$140	\$123.20	\$114.40	14.40%
C	No	\$100	N/A	\$104.00	\$108.16	8.16%

<sup>1</sup>This will be the equivalent rate for FY24, but not the published based rate. It is composed of the base rate which will be 10% of the recommended increase between the current rate and the Guidehouse benchmark rate. For example for Service A the base rate will be  $((\$120-\$100) \cdot .1) + \$100 = \$102.00$ . The additional 48% will utilize OTO monies that will be paid out in supplemental payments. In total the final reimbursement for Service A will be calculated as follows  $((\$120-\$100) \cdot .58) + \$100 = \$111.60$ .

<sup>2</sup>FY25 rate will be 36% of the recommended increase between the current base rate and the Guidehouse benchmark rate. This is all base funding. For Service A the 36% is calculated as follows  $((\$120-\$100) \cdot .36) + \$100 = \$107.20$ .

**Note:** Fact sheet does not include information on non-Medicaid service rates.

In some cases, rates for non-Medicaid services are indexed to Medicaid rates. Rates for these services will follow the same rate setting methodology as the indexed Medicaid rates. For those services not indexed to Medicaid rates, as well as the rates that were not included in the provider rate studies, the proposal requests 4% adjustments in each year of the biennium. Please see additional fact sheet for non-Medicaid rates.