



## LFC FINANCIAL MODERNIZATION AND RISK ANALYSIS STUDY COMMITTEE

---

### 67th Montana Legislature

#### SENATE MEMBERS

Janet Ellis  
Daniel Salomon

#### HOUSE MEMBERS

Mary Caferro  
Llew Jones  
Bill Mercer  
Sharon Stewart Peregoy

#### COMMITTEE STAFF

Amy Carlson - Legislative Fiscal Analyst  
Julie Johnson - Attorney  
Kathy Sangray - Secretary  
Sam Schaefer - Fiscal Analyst  
Nick VanBrown - Fiscal Analyst

#### PUBLIC MEMBERS

Mark Haggerty  
Mike Hope  
Dwaine Iverson  
Heather O'Loughlin

# MINUTES LOG

March 08, 2022  
Room 137  
Helena, Montana

Please note: This document is a Minutes Log and provides annotation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video recording of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of the meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <https://leg.mt.gov>. From the home page, select the "Committees" drop down menu at the top, then select Administrative or Interim, and the appropriate committee. The written minutes log can be located by expanding the accordion menu for the date of the meeting. Links to the audio/video files can be located by selecting the Video/Audio button on the same page, then the "past/current recordings" button. From there, use the calendar to select the date of the meeting you wish to view/listen to. The written Minutes Log, along with links to the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed. Please contact the Legislative Services Division at 406-444-3064 for more information.

#### **MEMBERS PRESENT:**

Rep. Llew Jones, Chair (R)  
Sen. Janet Ellis, Vice Chair (D)  
Rep. Mary Caferro (D)  
Mark Haggerty, Public Member  
Mike Hope, Public Member  
Dwaine Iverson, Public Member  
Rep. Bill Mercer (R)  
Heather O'Loughlin, Public Member  
Sen. Daniel Salomon (R)  
Rep. Sharon Stewart Peregoy (D)

#### **STAFF PRESENT:**

Amy Carlson, Legislative Fiscal Analyst  
Julie Johnson, Attorney  
Kathy Sangray, Secretary  
Sam Schaefer, Fiscal Analyst  
Josh Poulette, Fiscal Analyst  
Nick VanBrown, Fiscal Analyst

## **AGENDA (Attachment 1)**

## **VISITORS' LIST (Attachment 2)**

## **COMMITTEE ACTION**

### **CALL TO ORDER/ROLL CALL**

- 08:05:20 Rep. Llew Jones-R called the meeting to order at 8:05 AM.
- 08:05:48 Chair Jones introduced the agenda.
- 08:06:04 Josh Poulette, Legislative Fiscal Division (LFD), introduced speakers and an overview of topics to be discussed.
- 08:12:34 Rep. Caferro joined the meeting.

### **Healthcare into 2040: Trends, Challenges, and Opportunities**

- 08:14:37 Dr. Robert Sonora, Associate Director of BBER, Professor of Economics, University of Montana, presented on healthcare.
- EXHIBIT 8**
- 08:25:42 Mike Hope joined the meeting.
- 08:41:54 Chair Jones asked if Dr. Sonora's analysis considered the impact of the proposed medical schools in Great Falls and Billings.
- 08:43:00 Dr. Sonora explained that the impacts of the Great Falls medical school was considered but there are a lot of unknowns at this point. He also said that Washington, Wyoming, Alaska, Montana, Idaho Regional Medical Education Program (WWAMI) has reached out to him to conduct a study as well.
- 08:43:44 Rep. Mercer asked if Dr. Sonora has studied the capacity created by both the private institutions and the university systems to meet the demand for nurses.
- 08:44:44 Dr. Sonora said there is demand for both physicians and nurses, but the capacity of the education system to train them and attracting people to the nursing profession are the challenges.
- 08:46:18 Rep. Mercer asked if data exists that would indicate if there is adequate capacity to train nurses.
- 08:46:45 Dr. Sonora answered that the data does exist, but he is not comfortable commenting on the capacity for training.
- 08:46:51 Rep. Mercer asked how the current number of declared nursing students compares to historical data.
- 08:47:34 Dr. Sonora is not familiar with those kinds of patterns in education.
- 08:47:59 Rep. Mercer asked for clarification on the provision of health care in rural areas versus care for Native Americans, and the availability of Indian Health Services.
- 08:49:52 Dr. Sonora explained more about Indian Health Service funding and how each tribe provides health care services. He added that Native American patients are more likely to be in rural areas and they face different health issues than the rest of the population.
- 08:51:24 Rep. Caferro asked for an explanation of the increased infant mortality rates and the uninsured rate in rural versus urban areas.
- 08:52:05 Dr. Sonora offered several explanations for why infant mortality rates are higher in rural areas and why insured rates are lower.
- 08:54:16 Rep. Caferro asked about the future of brick and mortar hospitals.

08:54:40 Dr. Sonora discussed the impact of tele-health and the demand for services and how these variables may lead to a move toward larger health care hospitals.

08:56:16 Mr. Haggerty asked Dr. Sonora how other countries have solved the labor shortage, or if they are experiencing the same challenges.

08:56:46 Dr. Sonora explained the onerous hoops students need to go through to become a physician and these challenges are greater than other countries. Other issues are the unknown cost of services, the lack of focus on preventative care and how these factors contribute to people not seeking care early which leads to higher costs to address more serious health issues later.

08:59:47 Rep. Mercer asked for the source of the data on the urban and rural numbers.

09:00:05 Dr. Sonora said he will confirm the source and will get back to the committee.

09:00:35 Chair Jones asked Mr. Poulette to report back to the committee on a series of topics to explore.

09:05:27 Mr. Iverson asked about the average age of nurses and the impact of retirements and twelve-hour shifts on the nursing shortage. He also commented that nurses are the ones delivering the care and because of the shortage some of those delivering the care lack specific nursing skills.

09:06:39 Sen. Salomon asked if the ability of hospitals to have residency slots included critical care hospitals.

09:06:57 Chair Jones explained residency slots in hospitals and the need for supervising doctors and that slots could rotate through critical care hospitals if there is a supervising doctor. He thanked Dr. Sonora for his presentation.

09:07:47 Mr. Poulette said he will find answers to the questions.

09:10:03 Carrie Cochran-McClain, Chief Policy Officer, National Rural Health Association, presented on rural healthcare in 2040 and trends, challenges, and opportunities.

[EXHIBIT 9](#)

09:58:38 Ms. O'Loughlin asked for clarification on the Rural Emergency Services provider model and the role of the state.

09:59:08 Ms. Cochran said the state does not need to submit a demonstration waiver, they will do licensure of facilities and she can get more information for the committee.

09:59:58 Ms. O'Loughlin asked about the Pennsylvania rural health model and the reference to the global budget, and how that impacts access to mental health services.

10:00:37 Ms. Cochran-McClain can get more information from other states that address that issue specifically.

10:01:16 Chair Jones asked for an explanation of summarized global budget.

10:01:35 Ms. Cochran explained how providers are paid.

10:02:40 Chair Jones asked for Ms. Cochran-McClain's thoughts on the growing anger that Federally Qualified Health Clinics (FQHC), who receive higher reimbursement rates and typically operate 8am to 5pm, are impacting the survivability of 24/7 critical access facilities.

10:03:44 Ms. Cochran-McClain agreed that is an issue and further elaborated on that topic.

10:06:44 Sen. Ellis asked for the definition of 'rural' in the context of the presentation.

10:07:06 Ms. Cochran-McClain said there is not an easy definition and it really depends on the programs and the resources.

10:09:29 Rep. Mercer asked about rural healthcare workers and the distinction between metro and non-metro.

10:10:09 Ms. Cochran-McClain clarified that non-metro is the same thing as rural.

10:10:20 Rep. Mercer asked for further clarification on what defines 'metro'.

10:10:46 Ms. Cochran-McClain explained that metropolitan areas are defined by a population of 50,000 or more.

10:12:02 Chair Jones asked about the risk of rural hospitals closing and the link to Medicaid Expansion.

10:12:34 Ms. Cochran-McClain said she sees more rural hospital closures in non-expanded states.

10:13:31 Chair Jones asked about reimbursement rates for Medicaid.

10:14:40 Ms. Cochran-McClain deferred that question to Ms. Boozang who will discuss that in her remarks.

10:15:29 Ms. O'Loughlin asked if we should expect trends in healthcare to be forecasted differently due to COVID.

10:16:50 Ms. Cochran-McClain explained work force challenges and increased vulnerability of health care facilities and the work to be done to sustain the rural health care infrastructure.

10:19:45 Mr. Poulette added that there were provider shortages pre-COVID and COVID exacerbated that trend.

10:20:20 Ms. Cochran will send further information.

10:20:43 Chair Jones thanked Ms. Cochran-McClain.

10:21:19 Break

10:31:01 Mr. Poulette introduced the next speaker.

10:32:25 Patti Boozang, Manatt, gave presentation on leveraging Medicaid to drive value in state health care delivery.

[EXHIBIT 10](#)

10:48:15 Chair Jones commented on the number of enrollees in Medicaid.

10:48:37 Ms. Boozang continued with her presentation on Medicaid.

11:14:01 Chair Jones asked why Montana has a lower share (compared to other states) of the state general fund and per enrollee, and why Montana is higher than other states.

11:15:17 Ms. Boozang explained that Montana's FMAP rate and the fee-per-service status (versus managed care) impacts that issue.

11:16:38 Chair Jones asked why Maryland has been successful at cost containment.

11:17:06 Ms. Boozang explained various reasons how Maryland has done that.

11:19:05 Chair Jones asked about Maryland's outcomes as a result of cost containment.

11:19:57 Ms. Boozang said that outcomes are an important aspect of that program and she can share more information with the committee.

11:20:44 Rep. Mercer asked Ms. Boozang to comment on quality benchmarks in relation to processes and outcomes for Arkansas.

11:22:03 Ms. Boozang replied that Arkansas has transitioned to quality and outcome measures, and access care measures, and she can send more information on that.

11:23:21 Rep. Mercer asked where Montana is now regarding quality outcome measures and where we need to go looking ahead.

11:24:29 Ms. Boozang responded by listing various ways to improve the consumer experience and quality of care while containing costs.

- 11:26:53 Rep. Mercer asked specifically what we should be doing to improve outcomes and benchmark performance measures.
- 11:27:26 Ms. Boozang stated she has not looked at Montana's quality benchmarks.
- 11:27:48 Rep. Mercer commented that the committee would be interested in any input from any panelists to answer that question.
- 11:27:55 Chair Jones agreed that we need recommendations for the next steps.
- 11:28:47 Ms. O'Loughlin asked Ms. Boozang to comment on health outcomes for American Indians, impact of Medicaid expansion in reducing uninsured rates, and access for health services for American Indians. She further asked what other states are doing to improve access to health services for American Indians.
- 11:29:57 Ms. Boozang said a report coming out from the Montana Health Care Foundation shows some of the impacts of expansion on Native American populations. She also explained what other states are doing to improve tribal health services.
- 11:33:00 Mr. Haggerty commented on resources available online from a project that looked at economic and social determinates of health in rural and tribal communities.
- 11:33:51 Chair Jones thanked Ms. Boozang for her presentation.
- 11:34:31 Mr. Poulette summarized a report from Optumas.  
[EXHIBIT 11](#)
- 11:42:30 Chair Jones explained hospital charge masters, negotiating discounts, reference base, and cost containment.
- 11:46:13 Mr. Poulette said we will have further updates at the next meeting.
- 11:46:32 Chair Jones added that reference base will be discussed more at the next meeting.

### **Public Comment**

- 11:46:55 Dr. Stephen Tahta, President and General Manager of Allegiance Benefit Plan Management, commented on Medicare reimbursement, the importance of patient data sharing, value-based care, the increase of total cost of care, and the impact of pay-for-performance programs, and what Allegiance has done.
- 11:50:46 Chair Jones asked for further comments.
- 11:51:05 Lunch
- 13:00:40 Chair Jones called meeting back to order.

### **CI-121 Update and Example of Potential Impact**

- 13:00:56 Julia Pattin, LFD Analyst, asked Ms. Moore to begin the presentation.
- 13:01:37 Megan Moore, LSD Researcher, gave update on CI-121 and examples of potential impact.  
[EXHIBIT 12](#)
- 13:05:15 Ms. Pattin gave example.
- 13:09:02 Chair Jones clarified tax rates and mills.
- 13:09:28 Ms. Pattin explained local examples of what CI-121 would do to property taxes.
- 13:13:45 Ms. Moore explained potential revenue change from C-121 for counties and municipalities.
- 13:15:28 Ms. Pattin gave another example with a higher growth in property taxes collected.

13:17:15 Ms. Moore explained possible outcomes if CI-121 passes.

13:21:03 Chair Jones asked hypothetical question about a community already above the cap that passes a bond before CI-121 passes, then who pays the bond.

13:21:49 Ms. Moore explained that bond contracts are firm and that should be considered in relation to the mill levy and the cap.

13:22:56 Chair Jones commented that the 1.5% growth rate in the model is not realistic based on historical rates.

13:23:47 Rep. Nave asked for an explanation of the 740 mill cap.

13:24:10 Ms. Pattin explained how to calculate.

13:26:16 Rep. Nave clarified the answer and asked if the shift from residential property tax to other property classes assumes that the revenue is the same.

13:27:20 Ms. Pattin said that is correct and further explained the tax shift from CI-121.

13:28:06 Rep. Nave asked if the legislature would have to weigh in on allowing the shift from one class to another.

13:28:23 Chair Jones explained the shift would occur automatically based on formulas and the legislature would not weigh in on allowing the shift.

13:30:30 Rep. Nave commented that the point of the initiative is to bring residential property taxes down and to control government spending and she recognizes the difficulties of implementing the initiative.

13:32:08 Rep. Beard pointed out that property taxes include voted-in bond issues that drive up taxes, and it would be helpful to have bond council meet with the interim committees to explain how to educate communities about the impact of a bond election and that CI-121 will not have any impact on voted-in bond issues.

13:34:05 Rep. Carlson asked if another example can be prepared that shows the 7% growth in property taxes collected for a house that was sold after the 2019 limit was introduced.

13:35:00 Ms. Pattin said she can run that example.

13:35:18 Rep. Carlson asked if the line would be higher than the current line.

13:35:33 Ms. Pattin would like to run the numbers before she could answer.

13:35:45 Rep. Carlson commented that the property value would be higher after 2019.

13:36:15 Chair Jones commented that it would accelerate the line. He further commented on the impact to high and low tax communities, and the difference for communities that collect taxes versus fees.

13:38:12 Ms. Moore said it is not possible to calculate the mill cap on a property valued at \$1.5 million because the rate is blended.

13:38:18 Chair Jones pointed out that the property taxes on higher value homes would go down while the tax burden would shift to lower value properties, which is not the intent of the initiative.

13:39:58 Mr. Iverson pointed out that values can't go down more than 2%.

13:40:40 Mr. Haggerty said that other states have these types of programs and they have experienced unintended consequences that need to be fixed and this approach is not a good way to address government spending. He further pointed out that property worth more than \$1.5 million gets a 20% tax discount.

13:44:11 Chair Jones thanked Ms. Moore and Ms. Pattin for their work.

#### **Update on Revenue Interim Committee Studies**

13:43:38 Ms. Moore gave an update on the Revenue Interim Committee.

**Next Steps Discussion**

13:46:23 Ms. Carlson asked for any follow up questions on the 2040 Model and proposed MARA meeting dates and asked for feedback.

13:51:08 Chair Jones asked for any further discussion and thanked everyone for their work.

**ADJOURNMENT**

Adjournment: 13:51:30