

Governor's Medicaid Provider Rate Study

In the 2021 Legislature, the Governor and DPHHS proposed an objective, third-party rate study to determine if Medicaid providers were being paid enough to cover costs. The Legislature appropriated \$2.7M from ARPA to fund the rate study before the 2023 Legislative Session.

Guidehouse ([Advisory, Consulting, Managed Services | Guidehouse](#)) was hired to conduct the Governor's Medicaid Provider Rate Study. The study involved hundreds of hours for providers to fill out the cost reports for Medicaid services. The first four sectors of Medicaid studied were adult mental health (including substance use disorder), children's mental health, developmental disability, and senior and long-term care providers.

The ongoing study was reported at every Children's and Families Interim Committee meetings and the Part B Budget meetings. A final report found that an increase in state share of \$27,677,32 would cover costs to providers in all 4 sectors studied to date.

Table 1: Total Fiscal Impact, Add-On Payments Included (State Share)

By Population/Program	Paid at SFY22	Add-On Payments	Total Current Cost	Benchmark Cost	Change	Difference	SFY22 Percent of Total	Benchmark Percent of Total
Total	\$123,564,452	\$3,238,893	\$126,803,345	\$154,480,678	21.8%	\$27,677,332	100.0%	100.0%
ABH	\$17,636,581	\$4,772	\$17,641,354	\$20,959,394	18.8%	\$3,318,041	13.9%	13.6%
CMHJ	\$28,530,000	\$838,554	\$29,368,555	\$32,601,855	11.0%	\$3,233,301	23.2%	21.1%
DD	\$46,978,746	\$0	\$46,978,746	\$59,100,347	25.8%	\$12,121,601	37.0%	38.3%
SLTC	\$30,419,125	\$2,395,566	\$32,814,691	\$41,819,081	27.4%	\$9,004,389	25.9%	27.1%

You can review all the rate study information here: [Provider Rate Study \(mt.gov\)](#)

FOLLOW THESE TALKING POINTS IN REFERENCE TO THE GOVERNOR'S MEDICAID PROVIDER RATE STUDY:

- Thank you for appropriating money to conduct an objective, third-party Medicaid provider rate study for Montana.
- The study was thorough, comprehensive, inclusive and transparent.
- Medicaid reimbursement has fallen well below the cost of doing business and Medicaid providers are no longer able to compete for a workforce.
- These increases must be funded to ensure that Montana has a healthy workforce for the future.
- These costs are an investment that saves money in the long run by providing community-based care rather than high-cost, high-intensity hospitalizations.
- This money will help to solve the crisis at the Montana State Hospital as people can be treated in their communities and close to home and family.
- This is an opportunity to finally support and strengthen families and communities across Montana.

Annual Medicaid Increase for Providers

The 2021 Legislature allocated \$2.7M to fund an objective, third-party Medicaid provider rate study for the Governor and DPHHS. The study found that Medicaid providers were paid between 10%-25% below the cost of delivering care and were unable to compete for a workforce. To avoid requiring future expensive provider rate studies, Montana needs to commit to increasing rates by PPI (Producer Price Index) annually to ensure a competitive behavioral health system.

Physicians in Montana already receive a Medicaid increase every year by statute.

53-6-125. Physician services reimbursement. (1) The fee for a covered service provided by a physician under the Medicaid program is determined by multiplying the conversion factor times the relative value unit for that service times any applicable policy adjusters.

(2) (a) For fiscal years 2018 and 2019, the conversion factor must be increased, at a minimum, by the same numerical inflation factor calculated in accordance with [20-9-326](#).

(b) For each subsequent fiscal year, the conversion factor must be increased, at a minimum, by the same percentage increase as the consumer price index for medical care for the previous year, as calculated by the bureau of labor statistics of the United States department of labor.

FOLLOW THESE TALKING POINTS IN REFERENCE TO THE MEDICAID PROVIDER ANNUAL INCREASE

- Behavioral Health Medicaid safety net providers are primarily reimbursed by Medicaid, i.e., 80%-95% Medicaid payor mix.
- Medicaid reimburses below the cost of delivering the care as the Governor's Medicaid Provider Rate Study has shown.
- Montana has spent \$2.7M on a Medicaid Provider Rate Study. To prevent future high expenditures, the state needs to enact the recommendations of the rate study to review provider costs and increase reimbursement routinely.
- Behavioral Health providers who serve the Medicaid population are unable to cost-shift from commercial insurers as medical providers can to cover the losses by Medicaid reimbursement.