



Children, Families, Health, and Human Services Interim Committee

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65th Montana Legislature

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April 13, 2018

Director Sheila Hogan
Department of Public Health and Human Services
111 N. Sanders St.
Helena, MT 59624

Dear Director Hogan:

At its recent meeting, the Children, Families, Health, and Human Services Interim Committee learned that the 2.99% rate reduction that was instituted for most Medicaid providers in this fiscal year will be continued at the same level in Fiscal Year 2019.

DPHHS officials have said that the cut was necessitated by provisions of Senate Bill 261, which called for various general fund reductions if revenues for FY 2017 did not meet certain targets. Under those triggers, most general fund appropriations were reduced by 0.5% in both FY 2018 and FY 2019. In addition, the appropriation for the Health Resources Division of the Department of Public Health and Human Services was reduced by \$3.5 million in each year of the biennium.

Materials presented in conference committee show that the \$3.5 million reduction for the Health Resources Division was intended to be carried out as a "DPHHS provider rate reduction up to \$1%."¹

In various documents over the last few months, DPHHS and the governor's office have indicated that the rate reduction had to be set at 2.99% to accomplish the full FY 2018 cuts in a shortened time frame. The same documents said the reduced appropriations would require a rate cut of 1.4% or 1.49% when spread over 12 months.

The notices of amendment for MAR Notices 37-788 and 37-802 and the notices of adoption for MAR Notices 37-801 and 37-805 all contain identical language explaining how the 2.99% decrease was calculated. The explanations say that the 0.5% general fund decrease totaled \$1.4 million for DPHHS in FY 2018. Added to the specific \$3.5 million decrease for provider rates, the total general fund reduction equaled \$4,923,827. The loss of federal matching funds was estimated at about \$9.3 million, for a total reduction of \$14.26 million, according to the notices. The notices also contained the following language:

"Rate reduction required to achieve reduction in 12 months	1.49%"
"Rate reduction required to achieve reduction in 6 months	2.99%"

¹ Exhibit No. 4, Free Conference Committee on SB 261, April 26, 2017.

Additionally, the governor's health policy adviser provided Rep. Kelker with a document entitled "Senate bill 261 and 17-7-440 (*sic*) cuts explainer." Rep. Kelker shared the document with the committee on March 23.

That document provided the same dollar figures as did the notices of adoption and amendment for the four sets of rules. It also stated: "If the amount of the required cut were spread over 12 months, the rate reduction would have been 1.4%. But because of the interim committee delay, the savings had to be realized in 6 months, which increased the rate to 2.99% for state fiscal year 2018."

Given these written statements, the committee agreed to ask that you clarify the plans for the provider rate reduction in FY 2019. On behalf of the committee, I'm requesting that you provide us with:

- an explanation of why the department plans to continue the rate reduction at 2.99%, rather than reducing it to 1.49%; and
- a breakdown of the dollar amount of savings associated with a rate cut of 2.99%.

Thank you in advance for your assistance with this. If it's more appropriate for the committee to make this request of the Governor's Office or the Office of Budget and Program Planning, please let me know.

We look forward to your reply.

Sincerely,

Sen. Mary Caferro
Presiding Officer

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