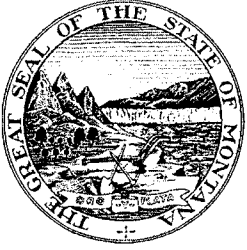


**DEPARTMENT OF
PUBLIC HEALTH AND HUMAN SERVICES**



**Brian Schweitzer
GOVERNOR**

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DIRECTOR**

STATE OF MONTANA

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June 12, 2012

Senator Jon Sonju, Chair
Select Committee on Efficiency in Government
PO Box 201706
Helena, MT 59620-1706

Dear Senator Sonju:

Thank you for your committee's interest in our effort to meet the department's responsibility to oversee and manage programs serving Montana's children with serious emotional disturbance. Your May 22, 2012 letter stated that the Select Committee on Efficiency in Government approved a letter that will be sent to the 2013 Legislature suggesting that the next Legislature reduce funding for a utilization management program and only support the specific utilization reviews required by federal regulation.

The Request for Proposal 12-2259P, issued on February 3, 2012, and titled "Utilization Management Services: Children's Mental Health" describes a utilization management program which includes services beyond those required in federal regulation. The additional services include a data collection management and reporting system, care coordination provided by contracted licensed clinicians, utilization review of out-of-home placements such as therapeutic group homes, monitoring and oversight of residential services so that children are returned home as early as is appropriate, and a required independent face-to-face assessment of children receiving certain home and community based state plan services.

The decision to include services beyond those required in federal regulation was intentional and necessary to control costs and to manage services. The additional services are based on our determination that each is necessary to ensure that life-changing decisions such as out-of-home placement are right for the child, and to control costs within the legislative appropriation.

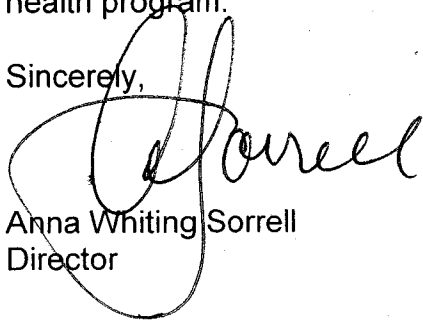
The RFP includes prior authorization of psychiatric residential treatment as required by Medicaid. The RFP also includes prior authorization for placement in a therapeutic group home where prior authorization is not required by Medicaid. Experience shows that expenditures for such services where prior authorization is required are less than expenditures where the prior authorization is optional. These are costly programs. FY 2011 Medicaid expenditures for psychiatric residential treatment totaled \$12.4 million. FY 2011 Medicaid expenditures for therapeutic group home services totaled \$17.4

million. Utilization review is a primary tool the department depends on, not just to manage and coordinate services, but also to manage costs.

Given its responsibilities, the department intends to notify Magellan of your letter and to proceed with contract refinement consistent with the services put forth in the February 3, 2012 Request for Proposal. MCA 18-4-313 requires in part that payment and performance obligations for succeeding fiscal periods are subject to the availability and appropriation of funds for the fiscal periods. The department intends to implement the requirements of 18-4-313 by including language in this contract similar to language used in other department contracts. Department standard language is as follows: *This contract is valid and enforceable only if sufficient funds are made available to the State and by the State for the appropriate fiscal year for the purposes of this program.*

Again, thank you for your interest in this important component of our children's mental health program.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Sorrell", written over a large, loopy circular flourish.

Anna Whiting Sorrell
Director