



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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DATE: December 4, 2003  
TO: Legislative Finance Committee  
FROM: Lois Steinbeck  
RE: Medicaid/CHIP/MHSP "Redesign" – HJR 13

### INTRODUCTION

The 2003 legislature passed HJR 13 (Attachment 1) urging the Department of Public Health and Human Services (DPHHS) to recommend changes to the Medicaid, CHIP (Children's Health Insurance Program), and MHSP (Mental Health Services Plan) to the 2005 legislature. The resolution notes the rising costs of these programs and the implications for state management flexibility due to federal regulations governing administration of these programs, including federal requirements to conduct three formal consultations with tribal governments regarding any major changes in existing Medicaid and related programs. HJR 13 also requests that DPHHS provide an analysis of the economic and social costs associated with recommendations made to the 2005 legislature.

This memorandum summarizes:

- DPHHS actions with respect to HJR 13
- Initial topics of program redesign
- First public forums
- Initial staff observations, including:
  - Constraint of time line
  - Preliminary emphasis on mental health programs
    - Coordination with other planning efforts for mental health services
  - Other Medicaid redesign efforts being undertaken by DPHHS that are not part of the HJR 13 process
- Preliminary DPHHS comments about this memorandum, which may be supplemented by additional comments at the Legislative Finance Committee meeting December 5

### ACTIONS TO DATE

The Governor appointed 18 persons to the Governor's Public Health Advisory Group. (Attachment 2 lists the appointees.) DPHHS has established a web site with information about the Council ([http://www.dphhs.mt.gov/phcmr/public\\_health.htm](http://www.dphhs.mt.gov/phcmr/public_health.htm)), including meeting dates, agenda, and items under consideration.

The Council has met two times beginning around Labor Day and will host open house informational forums in Billings and Missoula in December (Attachment 3). DPHHS has contracted with Peter Blouke, Mike Hanshew and the Montana Consensus Council to support and direct the work of the Governor's Public Health Advisory Council.

The Council has adopted several agreements about how it will operate and communicate. It has also considered policy goals and performance measures for the Medicaid program (Attachment 4).

## **INITIAL TOPICS FOR PROGRAM REDESIGN**

At the second meeting of the Council, DPHHS staff presented two Medicaid redesign projects dealing with adult and children's mental health services. Both involve moving from a fee for service delivery system to a form of capitated<sup>1</sup> payment based on severity of illness. Both anticipate coordination and cooperation among providers and state agencies in the development of service plans and service delivery for individuals with intensive service needs. Many of the details for the proposals are not yet determined.

Consulting staff discussed two other Medicaid redesign options and provided a listing of Medicaid eligibility changes that could be considered. One option involves contracting with Community Health Centers for the provision of Medicaid services, creating a "medical home" for persons. Another option involves applying for a HIFA (Health Insurance Flexibility and Accountability) demonstration waiver to expand Medicaid services by using general fund expenditures for programs that are entirely state funded as the "new" Medicaid match to draw down additional federal matching funds.<sup>2</sup> CHIP grant funds can be included in HIFA waivers. DPHHS could expand health care services using a HIFA waiver to persons currently without health insurance or access to health care services.

The additional flexibility of a HIFA waiver is granted with the federal condition that the state must contain total Medicaid program costs to a certain percentage increase negotiated with the federal Centers for Medicare and Medicaid (CMS). Both of these proposals are in the preliminary design stage as well and the Council did not review the eligibility changes at its last meeting.

## **FIRST PUBLIC FORUMS**

The Council will host public "open houses" in Billings and Missoula to disseminate information about the project and to receive feedback from Montanans during December (Attachment 3). The format of the open houses is very informal with several information and listening stations that persons can visit. The availability of a public record of information received will depend on whether DPHHS prepares a summary. However, the process differs significantly from other types of public information formats where all persons in attendance hear the same presentation of

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<sup>1</sup> Capitation is a form of payment whereby providers receive a fixed amount of compensation to provide the necessary services for an eligible person. The capitation payments will be based on severity of illness. Hence, providers would receive a higher payment for providing services to adults and children with a more severe symptoms and behaviors.

<sup>2</sup> The two entirely state funded programs mentioned were MHSP and the End Stage Renal Program.

material, answers to questions to clarify what has been said and comments from interested persons.

## **TIME LINE**

DPHHS and the Governor have asked the Council to prepare recommendations in time to be included in the 2005 biennium budget process, which has already started. Historically, DPHHS has begun its internal review of new proposals and major present law adjustments in January, while the Office of Budget and Program Planning (OBPP) has considered and produced a “short” list of approved adjustments by May or June, with a refined list that is pretty much final by August 1.

## **INITIAL STAFF OBSERVATIONS**

The public health redesign project presents an exceptional opportunity to creatively address state programs that provide health services. It comes with the endorsement of the Montana legislature at a time when federal agencies seem to be welcoming innovation with the goal of cost efficiency while maintaining a social safety net. HJR 13 lays a comprehensive framework for discussion that could foster significant innovation and creativity while also making fiscally sound recommendations.

## **CONSTRAINT OF TIME LINE**

Although DPHHS has devoted staff time and hired additional resources to produce recommendations in a timely manner, the time to complete recommendations for inclusion in the Governor’s Budget appears to be too short to undertake a comprehensive review of public health programs that could produce systemic innovation. At this point, most proposals before the Council center on changes to specific components of the Medicaid program.

Although the HIFA waiver proposal could be much more encompassing, it has some significant policy decisions. It could be used to expand health services for persons with little or no health coverage. It would limit overall Medicaid program increases to a percentage rate negotiated with CMS. Managing program costs is a laudable fiscal goal, shared by the legislature and one of the primary reasons HJR 13 was adopted. However, the legislature has used Medicaid to refinance general fund costs and to increase provider reimbursement to nursing homes and hospitals at no cost to the general fund. If more refinancing opportunities exist and would exceed the HIFA cost cap, such innovations may not be implemented, or if implemented, would require offsetting adjustments to reduce eligibility, services, or provider reimbursement to maintain spending within the cap. Additionally, the ability to undertake innovative reimbursement mechanisms or waivers, such as the Cash and Carry demonstration waiver for persons with traumatic brain injury, could also be limited or face the same decision about what should be funded within the cap.

## DPHHS Comment

DPHHS staff<sup>3</sup> notes several concerns with the LFD staff comments:

- DPHHS staff emphasized during the last legislative session the difficulty in administering a federal Medicaid block grant that would also cap Medicaid spending at a certain percent increase, and emphasizes it is not blind to the administrative difficulties, and would never put the program at risk
- DPHHS staff believes that the Medicaid redesign is much more comprehensive and far reaching that portrayed in this staff summary, especially if eligibility changes that will be discussed at the next Council meeting are included
- DPHHS consultants expressed concern that the staff report does not fully emphasize the potential benefits of a HIFA waiver, such as the ability to extend health care services, without additional cost to the general fund, to persons currently without health care insurance or coverage and the ability to manage costs within a fixed parameter
- DPHHS believes the time line is adequate to accomplish its objectives

## **PRELIMINARY EMPHASIS ON MENTAL HEALTH PROGRAMS**

DPHHS has received comments that the emphasis of Council work seems to focus on mental health programs and that the mental health proposals presented to the Council were not discussed in detail with other mental health advisory groups to DPHHS, including the Mental Health Oversight Advisory Council<sup>4</sup>. Both of these groups advise DPHHS and include DPHHS staff representation. Some persons have also commented on the lack of attention to or inclusion of the other components of the Medicaid program – senior and long term care and developmental disabilities.<sup>5</sup>

## DPHHS Comment

DPHHS staff<sup>6</sup> notes that the MHOAC was advised at its September meeting that there would be proposals made to the Council about children's mental health services and that DPHHS staff plans to attend future MHOAC meetings to obtain input. However, MHOAC was not advised of the changes proposed for adult mental health services prior to the Council meeting.

## **INTEGRATION OF CHILDREN'S MENTAL HEALTH PROPOSALS**

There appear to be several proposals being considered for changes to payment for and delivery of children's mental health services – the proposal before the Council, and a systems of care approach. Additionally, the SAA (Service Area Authority) planning group for eventual regional management of mental health services may have its own proposal on administration of and

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<sup>3</sup> John Chappuis, State Medicaid Director and Deputy Director, Department of Public Health and Human Services, e-mail to Lois Steinbeck, December 3, 2003 and John Chappuis and Mike Hanshew, personal conversation with Lois Steinbeck, December 4, 2003.

<sup>4</sup> Comments made at most recent MHOAC meeting by some members, November 7, 2003.

<sup>5</sup> Ibid.

<sup>6</sup> Chappuis e-mail, December 3, 2003.

payment for children's mental health services. While the proposals are not necessarily mutually exclusive, at this point in time it is not clear how the proposals will be integrated.<sup>7</sup>

### DPHHS Comment

DPHHS staff indicates that it is bringing an informal work group together to help flesh out the children's mental health proposal as well as address integration of approaches.<sup>8</sup>

## **OTHER MEDICAID REDESIGN EFFORTS**

There are at least two other Medicaid program changes occurring in DPHHS that are not part of the Council discussion: 1) a highly significant change to the Developmental Disability Medicaid program to implement service portability and provider choice; and 2) the Cash and Carry demonstration waiver for persons with traumatic brain injury. While both of these efforts have designed processes to gather advice and devise ways to implement system change, they are not part of the overall discussion of Medicaid redesign. Segregating these Medicaid changes does not allow the Council to consider innovations that may be applicable to other Medicaid components, such as mental health. Nor does it allow a reasoned consideration of the Medicaid program as a whole.

To view the attachments (4) please contact Legislative Fiscal Division at 444-2986.

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<sup>7</sup> Comments made to Chuck Hunter, Administrator of Child and Adult Health Care Resources, MHAOC meeting November 7, 2003.

<sup>8</sup> John Chappuis, personal conversation with Lois Steinbeck, December 4, 2003.