

MINUTES

**MONTANA SENATE
53rd LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE & CLAIMS

Call to Order: By Judy Jacobson, Chair, on March 5, 1993, at 8:00 a.m.

ROLL CALL

Members Present:

Sen. Judy Jacobson, Chair (D)
Sen. Eve Franklin, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Sen. Don Bianchi (D)
Sen. Chris Christiaens (D)
Sen. Gary Forrester (D)
Sen. Harry Fritz (D)
Sen. Ethel Harding (R)
Sen. Bob Hockett (D)
Sen. Greg Jergeson (D)
Sen. Tom Keating (R)
Sen. J.D. Lynch (D)
Sen. Chuck Swysgood (R)
Sen. Daryl Toews (R)
Sen. Larry Tveit (R)
Sen. Eleanor Vaughn (D)
Sen. Cecil Weeding (D)

Members Excused: Senator Devlin, Senator Waterman

Members Absent: None

Staff Present: Jim Haubein, Legislative Fiscal Analyst
Lynn Staley, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing: HB 634, HB 309, HB 425
Executive Action: None

HEARING ON HB 634

Opening Statement by Sponsor:

Rep. Jim Elliott, District 51, Trout Creek, sponsor, said HB 634 would ask the Governor to select at least two state agencies to look at exploring and implementing new management styles and

organizational structures. He noted the bill is loosely based on an Iowa bill. The bill states in the area of mid-level management of the two agencies selected by the Governor that the current management structure will be looked at with a view to change. Those changes will be implemented for a two year trial period. A team would be put together to evaluate the reason for existence of those agencies, the size of the agency staffing level, and the potential need for change. They would review the potential need for the traditional hierarchy in the organization and look at and evaluate the span of control. He said although the ideal span of control is five to eight persons, that is only a guideline. He concluded that in his opinion a pilot program is needed before a full blown review is done.

Proponents' Testimony:

Larry Fasbender in stating his support of HB 634 said it is important as government changes and grows to focus on this type of legislation. It would indicate to departments that the legislature is interested in having the management styles of the bureaus, departments and organizational structures reviewed. While doing an organizational management structuring probably will not save money immediately, in the long term there will be savings and efficiencies that come from it.

Karen Fagg, Governor's Office, stated that Governor Racicot is proposing the concept of reinventing government and has initiated programs through total quality management. He believes as we chart the course through the fiscal crisis that there is a real opportunity and need to look at how and why we do business and it is important to become more efficient not only in our structure but in our approach as well. The appropriations process is forcing every director to prioritize premium programs within their agency. It is their plan to go beyond two agencies or divisions and look at all agencies, divisions and bureaus as the program goes forward. She concluded HB 634 would be an affirmation from the legislature to the Governor for a plan he wants to put forward.

Opponents' Testimony:

None.

Questions From Committee Members and Responses:

Senator Keating asked Ms. Fagg with regard to the administration moving in this direction, would anything in the statutes prohibit the administration or the legislative council from attempting to achieve these things.

Ms. Fagg noted the bill provides a type of support and extra push to continue this process after the legislature adjourns. It would require the legislature to come back and report on the

pilot program suggested in HB 634.

Senator Weeding asked Rep. Elliott for illustrations of innovative things that were suggested in the Iowa plan.

Rep. Elliott said Iowa has looked at an incremental change in cutting out mid-management. They have gone in and asked that the administrators cut the layers of management in half or agencies cut it by 50 percent and have asked that the staff to supervisor ratio be increased by 50 percent. They also have experimented with new pay grades so people don't have to take a management position to be rewarded for a quality job they are doing.

Closing by Sponsor:

Rep. Elliott closed, noting it is critical to keep the target agency involved. He concluded a commitment should be made to change the way bureaucracy is run in Montana and HB 634 would offer that.

HEARING ON HB 309

Opening Statement by Sponsor:

Rep. Kasten, District 28, Brockway, sponsor, stated HB 309 would allow people with an income greater than the medically needy income level to qualify for medicaid by making a cash payment to the state. It would streamline the delivery of benefits because they get them up front. She distributed to the committee an exhibit the Department of Social and Rehabilitation Services (SRS) prepared. (Exhibit 1)

Proponents' Testimony:

Roger LaVoie, Department of Social and Rehabilitation Services, introduced Penny Robbe, SRS, to comment on the provisions described by Rep. Kasten.

Penny Robbe, SRS, stated there is enthusiastic support for HB 309 from her department. Currently under the program clients must bring their bills into the county welfare worker to tab up the bills through the month. They then receive a medicaid card for the remainder of the month which is a cumbersome process creating many problems. HB 309 would allow for coverage to begin the first day of the month.

Roger LaVoie, Family Assistance Division, Department of Social and Rehabilitation Services, in stating his support noted there is a provision in HB 309 addressing the pregnant women program and allowing them to be determined eligible for medicaid. It would be for pregnant women whose family income does not exceed 133 percent of the federal poverty threshold and whose family resources do not exceed standards determined by the

Department to be reasonable for purposes of the program. He felt there are cases where county directors think people would not be eligible after there was a resource test.

Opponents' Testimony:

Paulette Kohman, Executive Director, Montana Council for Maternal and Child Health, noted they take issue with the amendment imposing a resource test for pregnant women and infants with family income less than 133 percent of the poverty level. She presented testimony for the committee's consideration (See Exhibit 2).

Questions From Committee Members and Responses:

Senator Christiaens asked Mr. LaVoie what type of resource test for pregnant women he foresees.

Mr. LaVoie indicated they have a specialist in their office to consult with others in SRS and the medicaid staff as well as with Ms. Kohman to come up with a reasonable figure. He felt if somebody has \$10,000 or more they could pay for their own medical care.

Senator Christiaens asked Ms. Kohman for her opinion if a resource test is put in place, does she think women would not come forward to get care because of the test.

Ms. Kohman said it has taken two years attempting to convince women there is this program and now to put in a new requirement would deter women from coming forward. She said these are the type of women that are not on medicaid or AFDC and are above the poverty level. If these people did not have their assets, they would be living on the public roles. She added there are women that have a difficult time getting to their assets. For the women they are trying to serve, a high assets test will not deter them but a low assets test will keep a lot of people out.

Senator Aklestad questioned how HB 309 would affect the cash payments.

Rep. Kasten said currently to become medically needy, they must spend down to the SSI amount of \$416 per month. People having ongoing medical needs at the first of each month submit their bills pertaining to health care to the welfare worker. When they reach \$416, they are then issued a card saying that medicaid and the state will pick up the medical bills for the remainder of the month. If they don't reach their incurment by the third week, they then only have one week of medical service in medicaid. If for some reason that card would not be issued on the day it is needed and they wouldn't have it before going to the provider for their service, they would not get paid for that service, and those are the people that are falling through the

cracks now. In response to Senator Aklestad, she said the cash payment is the difference between their monthly income and \$416.

Senator Aklestad asked if according to the fiscal note, this would expand the program by about \$3,800,000.

Rep. Kasten said it would expand the programs benefits but there will be money to cover that and excess that will be passed through the general fund.

Senator Aklestad said he is concerned if federal matching funds dry up that the state will pick up the total program.

Rep. Kasten said if the federal government cuts out medicaid, this will no longer be a viable program for the state to continue.

When questioned regarding the fiscal note and why there seems to be more general fund, Ms. Robbe said for example when the person has incurment and \$100 is used with that \$100 paid into the state, the average reimbursement rate for medicaid purposes of \$65 on every \$100 bill submitted would mean the state has made \$35 to the general fund. The \$65 that is reimbursed to the provider is reimbursed at the FMAP rate, approximately 71 percent federal funds and 19 percent general funds; therefore the state has made an additional amount from that.

Senator Aklestad said it was his impression money would be generated into the general fund but not to the degree reflected in the fiscal note.

Jim Haubein, LFA, said the fiscal note shows that the 519,000 is the additional expenditure they will have in benefits. The \$2,900,000 is the revenue they will take in from money paid into the department over and above \$416, so they will take in 2.9 million in revenue and spend an additional \$519,000 in expenditures, therefore a net gain to the general fund of \$2.4 million.

When questioned by Senator Keating regarding FTE's included in the fiscal note and if this was for the medically needy or the pregnant women's eligibility, Ms. Robbe said it was for the medically needy cash option. County welfare offices are not set up to collect money which will be necessary. There is a tracking and payment process that must be done.

Senator Jacobson felt that much paperwork would be saved here.

Ms. Robbe said the paperwork being saved would be in the county offices.

When asked by Senator Jacobson if the county would keep the same number of people and people would be added at the state

level, Ms. Robbe said that is correct.

Closing by Sponsor:

Rep. Kasten closed by saying the department needs the flexibility HB 309 would provide.

HEARING ON HB 425

Opening Statement by Sponsor:

Rep. Kadas, House District 55, sponsor, said HB 425 will merge the functions of the Board of Housing and the Health Facility Authority in the State revenue bond authority. The board appointed by the Governor would be responsible for overseeing bonds for health and housing facilities. He distributed an amendment to make the Board of Housing an advisory board. He said this was the intent of HB 425 in the House of Representatives. With this amendment the Board of Housing would consist of five members appointed by the Governor. (See Exhibit 3) He said the main objection he has heard to HB 425 is that it will damage the ability to affect the housing market with housing bonds, which he said is not the case. He said they are changing the structure under which that will take place but are not changing the ability to provide housing bonds. The advantages are that there will be efficiencies in government in terms of not having so much staff and they will be consolidating revenue bonding expertise.

Proponents' Testimony:

Chet Kinsey, speaking for himself, stated that investments of state funds can be used a great deal better if used in conjunction with attempting to make the state a better place for business. He indicated if this board is expanded there should be some people from the lower income levels involved and not just bankers with tunnel vision to see immediate income.

Opponents' Testimony:

Joe Gerbase, an attorney from Billings and vice-chairman of the Board of Housing, apologized to the committee for the incident of not turning over the \$500,000. He noted the Board did not make that decision in arrogance and defiance but because they had sworn duties. He noted they did wrong in not communicating. With regard to the Board of Housing, he said their financial integrity is perfect, and there is no board with a better rating. They have a staff of 14 people which administer \$600 million. They have established an annuity program for the senior citizens. They have created a downpayment assistance program for people that cannot afford down payments. They have committed \$2 million plus to the handicapped. They are hoping to

put together a \$3 million partnership with associations of mobile homeowners to finance a mobile home park where FHA will insure mobile homes with a lower interest rate. He concluded they have the best run, most efficient organization possible. Their delivery system is unique and they are doing an excellent job.

Jon Noel, Director, Department of Commerce, said regarding the issue that the legislative auditor recommended that was to be implemented was direction for them to analyze the feasibility of moving the Board of Housing under the Board of Investments. A report prepared by the Legislative Auditor was presented when the committee adopted a motion for an alternative for the bonding functions of the Board of Investments, Board of Housing and the Health Facilities Authority to be merged under a new state revenue bonding authority. The report stated advantages would include the centralization of all major bond financing functions and the separation between investment and revenue bond philosophies in the Board of Investments. It also states the most significant advantage under this option are the shared expertise and separation of revenue bond financing and investment functions. The biggest disadvantage is the lack of continuity between program operations and the state revenue bonding authority. Legislation was drafted to accomplish this purpose; the merging of the bonding activities of the board of investments, the board of housing and the health facilities authority. Mr. Noel said the existing bill does not centralize all major bond financing functions and does not provide the Board of Investments with separation between investments and revenue bond philosophies. It is the position of the Department of Commerce without expressing an opinion as to the advisability of separating the housing and bond making decisions this would accomplish that if there is created a centralized bonding authority, they should all be put in there. HB 425 as it presently is constituted does not really accomplish much of anything.

Nancy Stephenson, Neighborhood Housing, Great Falls, in stating her opposition to HB 425 said many low income people have been helped into home ownership as well as many handicapped people that have not been able to get homes in any other way because they could not get a downpayment. These programs have been possible because of their partnership with the Board of Housing. Without the Board and staff helping people, this could not have been done.

Ed Jasmin, representing Norwest Banks in Montana, in stating his opposition to HB 425 said many Board of Housing loans are passed through banks. He concluded the Board has been supportive and helpful in the state and the system does work.

Tim Moore, Montana Building Industry Association Legislative Committee, presented testimony to the committee in opposition to HB 425. (Exhibit 4)

Jan Martin, Montana Bankers Association lending committee, in stating her opposition said they are concerned the bill will eliminate the Board of Housing which has been very helpful in dealing with home buyers.

Jock Anderson, Montana League of Savings Institutions, stated the current structure of the Board of Housing has been very efficient. He added it is difficult to see how HB 425 could improve the current circumstances of the level of putting people into houses and urged the committee to be very cautious.

Kevin Hager, National Association of Housing, in opposing HB 425 said if the bill would allow the providing of more affordable housing than currently exists he would support it, but if it cannot equal or better what is currently there, those people would suffer. He concluded the state's housing task force should be supported so they can determine how the housing needs can best be met.

Tom Hopgood, Montana Association of Realtors, stated their position is that people are entitled to affordable and available housing. The Board of Housing does work and provides a needed service. He concluded the Board of Housing is the most successful program the legislature ever started.

Dr. Bud Little, Chairman of Montana Health Facility Authority, stated HB 425 does not achieve any of the goals in the legislative auditor's report and does not further the mission of the authority.

Steve Mandeville, Montana Association of Realtors legislative chairman, stated this legislation does not make the base better. The fiscal note is minuscule compared to the effect it will have on housing in Montana.

Rep. Royal Johnson stated HB 425 as it currently exists is not the way it was originally and now needs amendments. He felt the Board of Housing has not done what its purpose is, and the reason he wants to leave it in this bill is to undo the situation that was created in the appropriations committee by not having the amendments. He stated HB 425 should be turned back to where the Department of Commerce suggested it should be. It will not destroy housing in the state. It will make it so bonds are available and the bonding authority will look at that all the time. The job of the Board of Housing is to identify housing needs and how housing needs are handled and decide with the revenue bonding authority how it will be financed. There is a need for closer contact with the executive director of the Board of Housing, and the executive director has to have closer contact with the director of the Department of Commerce. He concluded by presenting amendments to the bill. (Exhibit 5)

Leonard Reed, Great Falls real estate broker, stated his support of the Board of Housing and felt the people of Montana

want this program to continue as it presently is. He presented to the committee an apology letter from Tom Mather of Great Falls (Exhibit 6)

Questions From Committee Members and Responses:

Senator Christiaens asked Rep. Kadas about the amendments that were proposed.

Rep. Kadas said there are three differences in the way HB 425 is now. The Board of Housing was an advisory Board and in the amendments it was eliminated which was not the intention. Also the economic development bureau in the Board of Investments was part of the revenue bonding authority that was moved back to the Board of Investments. Under the original bill the director of the Investments Board would have been appointed by the Department of Commerce. Because of the need for separation between investments and politics, it was appropriate to put the executive director under the Board of Investments with the Board appointing the director. He felt that should be left in the bill the way it is and not put him under the Department of Commerce. The Board of Housing should be put back as an advisory board. He concluded if the committee felt it was important to change the economic development function of the Board of Investments and put it under the revenue bond authority, that is up to the committee.

Senator Christiaens questioned the necessity to keep bond reserves as high as they are.

Rep. Kadas said when bonds are issued, there is a requirement for reserves. The contract has to be met when the bonds are issued. Since they have been able to earn some arbitrage because of the tax free situation the state provides the Board, they have been able to generate some other revenue. They have taken that other revenue and tried to tie it up into reserves, which he did not think was appropriate. Reserves are already covered, with the reason being to avoid the legislature appropriating that. He added there may be good justification for using some of the arbitrage earnings for developing low income programs and downpayment programs. He has no problem with that but those dollars to a certain extent should be seen in the total context of state government since they were able to earn them because of their tax free position provided by the state.

Senator Franklin asked Ms. Stephenson to speak to the reserve issue.

Ms. Stephenson said it was her understanding from reading the Attorney General's opinion that the only money that could be touched was the \$600,000 arbitrage money, but that the other \$65 million had to be reserved for bond reserves, that that was part of the legal commitment.

Senator Hockett asked Rep. Kadas to explain how HB 425 would help alleviate the housing crisis that has been testified to in Montana.

Rep. Kadas felt HB 425 would not make the housing crisis any worse. He added the Board is trying to deal with the housing crisis. It is a structural change that doesn't affect the state's ability to deal with housing problems. It changes the umbrella under which the program operates and hopefully makes it more efficient by bringing together revenue bonding expertise under the same roof.

Senator Jacobson said she would like the committee to understand that the legislative finance committee and the legislative audit committee met on these issues and looked at a number of options. She noted that getting away from the argument about the issue of control of money, it caused the committees to look at the structure of all programs that the legislature put together and realized this is one program in state government that is not scrutinized and has not been looked at for a long time. While the program is working well and the committees were supportive of the program, it was felt there might be some advantages to changing some of the structure and having the legislature a little more involved and perhaps doing things differently while maintaining the Board of Housing and programs we are supportive of. She felt we should separate the issue of the original argument from where the committees went from there to bring forth a positive piece of legislation to make some structural changes that have not been looked at.

Senator Keating asked Mr. Gerbase regarding the original bill from the joint committees, would the Board of Housing be able to function pretty much the same under those conditions.

Mr. Gerbase said he was aware the amendments were being presented so his remarks were addressed to the bill as it would be amended. In the structuring with the way it is proposed, the Board of Investments will handle accounting and administration. The bonding entity will handle bonding and there will be a third entity doing advising which will be the Board of Housing. The Board of Housing is a specialized secondary lender, and he does not believe that will build efficiency. When asked by Senator Keating if that is regarding HB 425 as it originally was, Mr. Gerbase said that was correct and added it would hurt the delivery system.

Senator Harding asked Rep. Johnson if his proposed amendments would take HB 425 back to its original form.

Rep. Johnson said that was correct.

Senator Harding asked Rep. Kadas which set of proposed amendments he was desirous of the committee considering.

SENATE FINANCE & CLAIMS COMMITTEE

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Rep. Kadas said he would like the committee to support his proposed amendments (Exhibit 3)

Senator Harding asked Mr. Jon Noel how he originally supported HB 425.


Mr. Noel said originally the Department of Commerce was not taking a position on HB 425. They pointed out technical difficulties with HB 425, some concerns with respect to the actual cost of implementation. There are some differences of opinions between attorneys as to the means of transferring the bills from one entity to another and the cost of doing those. Some would say there are virtually no costs and others would say there would be high costs because each individual document that collateralizes a loan would have to be transferred to the new entity. He concluded he is not expressing an opinion on that but that should be explored.

Closing by Sponsor:

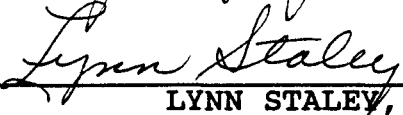
In closing, Rep. Kadas advised the committee this situation was looked at because the Board of Housing did not cooperate with the legislature. He concluded changes need to be made and HB 425 would help in that direction.

ADJOURNMENT

Adjournment: 10:05 a.m.



JUDY JACOBSON, Chair



LYNN STALEY, Secretary

JJ/LS

ROLL CALL

SENATE COMMITTEE FINANCE AND CLAIMS

DATE 3/5

NAME	PRESENT	ABSENT	EXCUSED
SENATOR JACOBSON	✓		
SENATOR FRANKLIN	✓		
SENATOR AKLESTAD	✓		
SENATOR BECK	✓		
SENATOR BIANCHI	✓		
SENATOR CHRISTIAENS	✓		
SENATOR DEVLIN			✓
SENATOR FORRESTER			
SENATOR FRITZ	✓		
SENATOR HARDING	✓		
SENATOR HOCKETT	✓		
SENATOR JERGESON	✓		
SENATOR KEATING	✓		
SENATOR LYNCH	✓		
SENATOR TOEWS	✓		
SENATOR SWYSGOOD	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN			✓
SENATOR WEEDING	✓		

FC8

Attach to each day's minutes

The last option to consider is the proposal the Department has submitted in the budget which allows a cash payment equal to the amount of the client's incurment (similar to a deductible). Currently, clients cannot establish Medically Needy coverage until they have incurred medical expenses equal to their deductible. The clients are responsible to pay 100% of the deductible expenses, and coverage begins the day the deductible is met. That could be anywhere from the first day of the month until the last day of the month.

Under the cash payment proposal, Medically Needy clients may choose to meet their deductible obligation by either incurring medical expenses or making a cash payment equal to the amount of their deductible. If the cash payment is chosen, eligibility begins the first day of the month and a Medicaid card is mailed which is exactly the same as the card AFDC and SSI recipients receive. Under this method, Medicaid pays for all covered services in the month.

For clients who choose not to pay the cash, but wish to continue to incur bills, a Medicaid card is also issued the first day of the month. However, this card is different because it specifies the client has a Medically Needy deductible to meet. This is similar to health insurance programs non-assistance persons have, such as a Blue Cross/Blue Shield identification card.

The difference is these cards are issued monthly, with the benefit month clearly distinguished on the card. One of the changes in administrative procedures in processing these cases is that our MMIS agent, Consultec, would track all medical bills submitted and apply them, in the order received, to the client's deductible. Once the deductible is met, Medicaid payments are issued for all remaining bills within the month.

To illustrate why the cash payment option is a cost savings to the state, compare the following: (Assume in both circumstances a client had a \$100 deductible.)

Current Policy:

1. Client must incur \$100 in medical services;
2. Client must arrange a payment agreement with the medical provider;
3. Client is responsible to pay the full \$100; and
4. Medically Needy coverage does not begin until the day the deductible is met.

Proposed Policy:

1. Client pays the Medically Needy Program \$100 cash;
2. Medically Needy coverage begins the first day of the month, so providers do not pursue client payment agreements or collections from clients;
3. Medicaid covered services are paid at the Medicaid rate (approximately 65%); and
4. The Medically Needy Program realizes \$35 (\$100 cash collected minus \$65 paid) which could be used as a match for other medical costs.

NOTE: Of the 65% reimbursed to the provider, 71% is federal matching funds and 29% is state matching funds. This means that the actual amount realized to the Medically Needy Program is $\$35 + \$46 = \$81$!

EXHIBIT #1
DATE 3-5-93
HB-309

BENEFITS ASSOCIATED WITH PROPOSED CHANGE

The benefits associated with this proposed change include:

For the client:

1. Clients no longer have to incur medical expenses and take the bills to the county office before establishing Medically Needy coverage;
2. Clients do not have to make payment arrangements with medical providers;
3. Clients make a single payment (similar to a health insurance premium) and establish Medically Needy coverage beginning the first day of the month; and

NOTE: This will be especially beneficial to clients receiving Home and Community Based/Waiver Services. These people are typically developmentally disabled residing in a group home or aged and disabled clients who would otherwise reside in a long-term care facility.

4. If clients pay for Medically Needy coverage but do not use medical services totalling the amount they paid, they may receive a refund (i.e., premium amount minus amount of services actually incurred).

NOTE: Because providers have 365 days to bill for services, client refunds cannot be paid for at least that period. They would also only be paid upon client request.

Medical Providers: Medicaid pays for all covered services provided to the

1. Medical providers will receive timely payment for Medicaid covered services;
2. No payment arrangements or client collection efforts are necessary.

NOTE: There is a trade-off for providers. Providers are currently entitled to collect 100% of the deductible from the client. However, payments may be received sporadically which requires additional office or provider staff time, postage, possible collection agency involvement, etc..

NOTE:

In the event clients choose to incur expenses to meet the deductible obligation, they will be issued a Medically Needy ID card indicating the client must meet a deductible before Medicaid will begin paying for covered services. Similar to private health insurance, as bills are received, they will be applied toward the deductible until the deductible is met.

State of Montana:

1. Some county staff time will be saved because eligibility staff will not have to evaluate stacks of medical bills or wait for medical bills to be incurred to determine Medically Needy coverage; and
2. There will be a "windfall" to the Medicaid Program (i.e., the difference between the premium collected and the Medicaid payment) which can be used as matching funds.

legppr06.lov

Montana so providers do not pursue their payment
arbitration or collections from clients.

Montana Council for Maternal and Child Health

54 N. Last Chance Gulch • Helena, MT 59601 • 443-1674

Testimony before the Senate Finance and Claims Committee

March 5, 1993

Re: HB 309

EXHIBIT NO. 2

DATE 3/5/93

BILL NO. HB 309

The Montana Council for Maternal and Child Health generally supports the original purpose of HB 309, allowing persons to receive "Medically Needy" Medicaid coverage via a direct payment of their incurment to the department. We do, however, take issue with the amendment imposing a resource test for pregnant women and infants with family income less than 133% of the poverty level.

Montana has spent years trying to attract as many pregnant women as possible into prenatal care. We shortened the Medicaid application, we provided "presumptive eligibility," which allows a pregnant woman to enter care the same day she files her application. We allowed qualified providers to take the application, so that a pregnant woman would have "one stop shopping." We developed the MIAMI project. And we eliminated the assets test.

Our decision, like that of the other 47 states which chose not to impose an assets test, was based on the fact that we would save money overall by spending a little "upfront" to prevent low birthweight births. Commonly accepted savings from prenatal care are \$3.00 per \$1.00 invested. A low birthweight baby born in Montana costs an average of \$47,770 during the first year of life, a figure which will qualify almost any Montana family for the Medically Needy program. Prenatal care, at \$3191 per pregnancy, can prevent many of these high cost infants. The economics of prenatal care are so compelling that in a 1989 study in New Hampshire, the authors concluded that paying "upfront" for universal prenatal care for all New Hampshire women would result in net savings to the state.¹

Access to care for uninsured pregnant women and their infants is vital to our continuing efforts to reduce infant mortality and low birthweight, which cost us \$ \$8.2 million in Medicaid alone in 1991. It is not worth the trouble in complicating the applications process to "catch" a few women who have some assets by erecting barriers to eligibility that keep others from coming into care. The purpose of prenatal care is healthy babies. Lets keep the good work going.



Paulette Kohman, Executive Director

1. Gorsky, Robin and John P. Colby, Jr., *The Cost Effectiveness of Prenatal Care in Reducing Low Birth Weight in New Hampshire*, Health Services Research 24:5 (December 1989) p. 583.



Montana Medicaid "High Cost Infant" Study

(Source: MONTANA DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES)

	<u>1991</u>	<u>1990</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
# Infants Receiving Medicaid during 1st year of life	4,979	4,110	3,248	3,147	3,100
Total Medicaid cost for Infants	\$15.7	\$11.9M	\$8.3M	\$7.5M	\$5.4
Average Cost per Infant	\$3711	\$2895	\$2555	\$2383	\$1741
Number of "High Cost" Infants (> \$10,000)	218	185	129	110	83
Cost of "High Cost" Infants	\$8.2M	\$6.6M	\$4.2M	\$4.1M	\$2.7M
Average cost per "High Cost" Infant	\$37,614	\$35,675	\$32,558	\$37,273	\$32,530
% Infants who were "High Cost"	4%	5%	4%	3%	2.7%
% of Costs for "High Cost" Infants	53%	55%	51%	56%	56%

Breakdown of 1991 sample by DRG or "Diagnosis Related Groups"

<u>Infants</u>	<u>Number</u>	<u>(%)</u>	<u>Cost</u>	<u>(%)</u>	<u>Avg Cost</u>
Total High Cost Infants	218	(100%)	\$ 8,200,000	(100%)	\$ 37,614
"Normal Births"	16	(7%)	\$ 221,871	(3%)	\$ 13,886
"Congenital Anomalies"	68	(31%)	\$ 1,896,670	(23%)	\$ 27,892
"Respiratory Distress" only	16	(7%)	\$ 482,380	(6%)	\$ 30,149
"Prematurity"	118	(54%)	\$ 5,636,871	(69%)	\$ 47,770

Amendments to House Bill No. 425
Third Reading Copy

Requested by Representative Kadas
For the Committee on Finance and Claims

Prepared by Greg Petesch
March 4, 1993

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 3

DATE 3/5/93

BILL NO. HB 425

1. Title, line 9.

Following: " ; "

Insert: "CREATING A BOARD OF HOUSING TO ADVISE THE STATE REVENUE
BOND AUTHORITY ON HOUSING MATTERS ;"

2. Page 109, line 5.

Following: line 4

Insert: "

NEW SECTION. Section 36. Board of housing. (1) There is a
board of housing.

(2) The board consists of five members appointed by the
governor as provided in 2-15-124. The members must be informed
and experienced in housing, economics, or finance.

(3) The board shall elect a presiding officer and other
necessary officers.

(4) The board is allocated to the department of commerce
for administrative purposes only as provided in 2-15-121.

(5) In compliance with the state pay plan, the department
shall provide all staff and services to the board as are
determined by the board in conjunction with the department to be
necessary for the purposes of carrying out the board's functions.

(6) The board shall assess housing availability and needs
in the state, counties, cities, and towns.

(7) The board shall identify and review all federal housing
programs and make recommendations to the department, the state
revenue bond authority, the board of investments, and the
governor concerning housing program coordination, planning, and
operations."

Renumber: subsequent sections

3. Page 109, line 12.

Strike: "Section"

Insert: "Sections"

Following: "2"

Insert: "and 36"

Following: "]"

Strike: "is"

Insert: "are"

4. Page 109, line 14.

Strike: "section"

Insert: "sections"

Following: "2"

Insert: "and 36"

Homebuilders Assoc. of Billings
252-7533

N. Montana Home Builders Assoc.
5-8181

Great Falls Homebuilders Assoc.
2-HOME



Flathead Home Builders Assoc.
752-2522

Missoula Chapter of NAHB
273-0314

Helena Chapter of NAHB
449-7275

Nancy Lien Griffin, Executive Director
Suite 4D Power Block Building • Helena, Montana 59601 • (406) 442-4479

HB 425

Revise Duties of Board of Housing Finance and Claims

Recommend:
Do Not Pass

EXHIBIT NO. 4
DATE 3/5/93
BILL NO. HB 425

Madam Chairman, Ladies & Gentlemen of the Committee:

I am Tim Moore of Helena, a member of the Montana Building Industry Association Legislative Committee. Our association represents 6 local associations with over 800 small business members and 32,000 employees serving Montana's housing needs.

We urge a Do Not Pass for the following reasons:

1. Housing Finance Programs Require Specialized Services

Housing mortgages require a greater degree of consumer education. They require specialized knowledge of federal mortgage guarantees and loan qualification criteria. Home loans have always operated under investment criteria which are much different than commercial loan criteria. Recent federal lending requirements, known in the home mortgage business as FIRREA, have established new loan regulations; and the federal agencies update and revise these criteria on a regular basis.

The needs of housing finance require specific knowledge of the many and constantly changing federal housing programs and federally guaranteed home mortgage investment programs. HB 425 proposes to consolidate the diverse investment functions of the State of Montana into one super board which is expected to have expertise in both commercial and housing investments. We saw Savings and Loans institutions all over America experience vast problems when they began the common practice of merging commercial investments with their more secure housing investments. HB 425 requires that members of the state revenue bond authority be experienced in housing, health institutions, economics and finance. That would be quite a resume'.

The loan experiences provided by public, commercial and housing bond sales operate under different regulations and offer to investors different kinds of investment security. To lump them together would be a disservice to both the creativity and marketing required in the public and commercial bond markets and the flexibility required in the housing bond market.

2. Mortgage Financing Requires Quick Market Response

We have seen in the past several years sharp increases and decreases in home mortgage interest rates. This is an arbitrary federal reserve prerogative based upon availability of money supply; economic climate; inflation; and politics. It is imperative that housing bond sales be initiated and re-negotiated on a flexible basis in order to remain secure and competitive to investors. Housing investments quite often do not keep pace with other bond investments. The markets for one type of bond sale do not necessarily correspond with the other. I believe the administrative mechanics proposed in HB 425 would hinder the ability to respond effectively to these fluid market conditions.

3. Board of Housing has Established Effective Loan Service Procedures With Lenders Throughout Montana

This legislation changes the entity which is required to service housing loans, assess fees, establish loan criteria, collect interest and take assignment on security. This would require a restructure of existing lender agreements and may require a reprocess of thousands of home loans throughout the state of Montana. I believe whatever minimal cost savings are realized by the consolidation will be expended in loan reservicing, education and marketing.

The Board of Housing has throughout the past decade developed effective and far reaching relations with the many local lenders which sell Board of Housing loans to their customers. These lenders have come to expect quick response to their concerns and have in return opportunity to negotiate user friendly loan procedures. This type of lender service would be more difficult when the lender is required to access several layers of board authority before recognition of program needs can be met.

4. Housing Crisis -- Multiple Board Administration Distances the Response One Step From the Need.

We have in Montana a housing shortage crisis. To be more specific we have in Montana an **affordable** housing shortage crisis. The most impacted group is those low to moderate income working families struggling to meet federal mortgage income qualification criteria. It is the housing needs of these families that are currently served by the Board of Housing. They have over the years developed several affordable housing programs targeted at demonstrated need. Their multi family program has housed thousands of low income families. Because of the market place flexibility that is critical to their unique investment programs they have been able to place thousands of first time home buyers in family homes. They have developed programs for manufactured housing and energy efficient housing. They have been there to respond effectively to Montana's housing needs.

This legislation, aimed only at control of the Board of Housing, serves only to kill the fly with a sledgehammer--and affordable housing financing is the victim. Deprioritizing housing constitutes bad economic policy.

Amendments to House Bill No. 425
First Reading Copy

Requested by Representative Kadas
For the Committee on Appropriations

Prepared by Greg Petesch
February 17, 1993

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 5

DATE 3/5/93

BILL NO. HB 425

1. Title, lines 8 through 11.

Following: ";" on line 8

Strike: remainder of line 8 through ";" on line 11

2. Title, line 12.

Strike: "2-15-1814,"

3. Title, lines 13 through 24.

Following: "17-5-1312," on line 13

Strike: remainder of line 13 through "17-5-1651," on line 24

4. Title, page 2, line 4.

Following: "SECTIONS"

Insert: "2-15-1814,"

Following: "2-15-1815"

Insert: ", "

5. Page 2, line 16.

Strike: "department shall hire"

Insert: "board may employ an investment officer, an assistant
investment officer, and"

Strike: "has"

Insert: "have"

6. Page 2, line 18.

Strike: ", state revenue bond,"

7. Page 2, line 24.

Following: "-"

Insert: "The investment officer, assistant investment officer,
and executive director serve at the pleasure of the board.
The board shall prescribe the duties and annual salaries of
the investment officer, assistant investment officer,
executive director, and three professional staff positions."

8. Page 3, lines 19 through 25.

Following: "(5)" on line 19

Strike: remainder of line 19 through line 25 in its entirety

9. Page 4, line 3 through page 5, line 11.

Strike: section 2 in its entirety

Renumber: subsequent sections

10. Page 5, line 15.

Strike: "nine"

Insert: "seven"

11. Page 5, line 16.

Strike: "The"

Insert: "Five of the"

12. Page 5, lines 17 and 18.

Strike: "and experienced in" on line 17

Insert: "on the subject of bond issuance and must represent the financial community, health care administration, health care providers, economic development, and "

Following: "housing" on line 17

Strike: remainder of line 17 through "finance" on line 18

Following: "." on line 18

Insert: "One member must be affiliated with a low-income organization. The members must provide a balance of professional expertise, public interest, and accountability."

13. Page 5, line 25.

Following: "."

Insert: "The department shall consult with the authority in the selection of revenue bond officers for the health facility and housing programs of the authority. The bond officers shall administer separate bond programs for the authority."

14. Page 6, line 13.

Following: line 12

Insert: "(8) The authority shall assess housing availability and needs in the state, counties, cities, and towns. The authority shall identify and review all federal housing programs and make recommendations to the department of commerce, the board of investments, and the governor concerning housing program coordination, planning, and operations."

15. Page 9, line 24 through page 10, line 10.

Strike: section 6 in its entirety

Renumber: subsequent sections

16. Page 10, line 13.

Strike: "board of housing"

Insert: "state revenue bond authority"

17. Page 11, line 9 through page 65, line 13.

Strike: sections 8 through 61 in their entirety

Renumber: subsequent sections

18. Page 67, line 16.

Strike: "3"

Insert: "2"

19. Page 99, line 23.

Strike: "3"

Insert: "2"

20. Page 108, line 7.

Following: "Sections"

Insert: "2-15-1814,"

Following: "2-15-1815"

Insert: ", "

21. Page 108, lines 10 and 12.

Strike: "3"

Insert: "2"

EXHIBIT 715
DATE 3-5-93
HB-425

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Maryls Dowell, "Mac"
McMahon, Pat Augustline,
Sharon Gilko, John Dun-
can, Cathy Reid, Sonny
Wheeler, Gerry Lanky,
Dell Evereart, Joan Denny
and Mark Wheeler

Call ...

727-2650

Friday, March 5, 1993

LEGISLATORS: I APOLOGIZE FOR ANY
REMARKS THAT I HAVE MADE RELATIVE TO
TAX REFORM THAT HAS IRRITATED LEGISLATORS.

I APPRECIATE THAT LEGISLATORS ARE AS
INTERESTED IN THE BEST WELFARE OF MONTANA
CITIZENS, THAT THEY WORKED HARD TO BE Elected
ELECTED AND ARE FACED WITH PROBLEMS AND
FRUSTRATIONS THEY ARE DOING THEIR BEST TO
RESOLVE.

MY INTEREST HAS BEEN SLANTED TOWARD HOME
OWNERSHIP, PARTICULARLY FOR LOWER INCOME
FIRST TIME HOMEBUYERS AND FOR RENTERS WHO
ARE HAVING A MOST DIFFICULT TIME FINDING
DECENT RENTALS THEY CAN AFFORD.

PRESENT MEMBERS OF THE BOARD OF HOUSING AND
STAFF HAVE ACCOMPLISHED CONTINUOUS FUNDING
FOR HOME PURCHASERS AND HAVE DEVELOPED
MANY PROGRAMS HELPFUL TO HOME ATTAINMENT.

THESE MEMBERS ARE PROFESSIONALLY QUALIFIED IN
THE FIELD OF REAL ESTATE, LENDING, LAW AND
GENERAL BUSINESS AND ARE CONTINUOUSLY WORKING
TOWARD SOLUTIONS TO HOUSE MONTANANS.

AN INTERRUPTION OF THESE ACTIVITIES WILL
NOT BE IN THE BEST INTERESTS OF PROVIDING
HOMES FOR MONTANANS IN MY OPINION.

MY INTEREST IS IN CONTINUATION OF THESE
ACTIVITIES WHETHER OR NOT I AM A MEMBER
OF THE MONTANA BOARD OF HOUSING.

THANK YOU FOR YOUR SERIOUS CONSIDERATION.

Tom Mather
TOM MATHER

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 6

DATE 3/5/93

BILL NO. HB 425

DATE March 5, 1993

SENATE COMMITTEE ON Finance And Claims

BILLS BEING HEARD TODAY: HB 634, HB 309, HB 425

Name	Representing	Bill No.	Check One	
			Support	Oppose
Don Noel	Committee	425		✓
Joe Garbarr	Bldg Housing	425		✓
Jim Way	Anderson Z. Muehlen Co.	425		✓
Nancy Stephenson	Neighborhood Housing	425		✓
Robin Hoyer	Elitka - UFAH	425		✓
Tim Moore	MT Bldg Industry Assoc	425		✓
Sam Martin	Mont. Printer	425		✓
JOHN CADDY	Mont. Bankers Assn	425		✓
Ed JASMIN	Northwest Bank	425		✓
Faulette Kohonen	Int Council Health Child Health	309	✓	
Steve Manderville	Int Assoc Health	425		✓
Jock Anderson	MT League of Soc Just	425		✓
SHARON HOFF	MT CATH Conf	309	✓	
Tom Yager	Gov's Office	634	✓	
Clut Kruy	MSCA Local	425	✓	
Penny Robbe	SRS	309	✓	

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY

DATE _____

SENATE COMMITTEE ON _____

BILLS BEING HEARD TODAY: _____

Name	Representing	Bill No.	Check One	
			Support	Oppose
Roger LaVie	SRS	309	<input checked="" type="checkbox"/>	<input type="checkbox"/>
James T. Lueders	Pub. Bud. Ass.	309	<input checked="" type="checkbox"/>	<input type="checkbox"/>
LEONARD D. READ	INT. ASSN. OF REPRODERS	425	<input type="checkbox"/>	<input checked="" type="checkbox"/>

VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY