

## **MINUTES**

### **MONTANA SENATE 53rd LEGISLATURE - SPECIAL SESSION**

#### **COMMITTEE ON FINANCE & CLAIMS**

**Call to Order:** By Senator Judy Jacobson, Chair, on December 13, 1993, at 9:40 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. Gerry Devlin (R)  
Sen. Gary Forrester (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. Mignon Waterman (D)  
Sen. Cecil Weeding (D)

**Members Excused:** Senator Fritz

**Members Absent:** None

**Staff Present:** Clayton Schenck, 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 7, HB 21, HB 33, HB 34, SJR 2, SB 50  
Executive Action: None

#### **HEARING ON HOUSE BILL 7**

##### **Opening Statement by Sponsor:**

Representative Tom Zook, House District 25, sponsor, said the

purpose of HB 7 is to clarify the words "current level". Currently it is very confusing to the general public as well as to some members of the legislature. The bill will remove some of the temptation to use it in a political way. He concluded it is important to raise the credibility of the legislature with the public, and this would be a step in that direction.

**Proponents' Testimony:**

Dave Lewis, Director, Office of Budget Program and Planning, said they introduced the bill and there are some alternative suggestions being worked on, pending review of the amendments, they probably could agree to. They want to make sure the public understands what is being addressed when legislative appropriations are discussed.

Jim Tutwiler, Montana Chamber of Commerce, testifying in support of HB 7, said they think the bill will help clear up confusion and help individuals such as their association communicate more clearly with the public.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

In questioning from Senator Devlin regarding the mention of amendments to HB 7, Senator Jacobson said the Legislative Fiscal Analyst (LFA) as well as Mr. Lewis and some legislators discussed concerns the LFA had about approaching this and possibly using terms that are more clear to the public than the words "current level" and "modified". She said the budget director will look at the amendments before anything is done.

Senator Beck asked what effect the House amendments had on the bill.

Mr. Lewis said they were satisfied with the amendments from the House and now other issues have arisen in the Senate that they are willing to work with. He said based on the conversations they have had, he thinks they are in agreement with the proposed amendments, but he hasn't seen them in writing. The major objective is to make it clear to the legislature what they are changing from when changes are made to the budget in the next biennium.

Senator Jacobson said what is being discussed is looking at three levels, current spending, projected spending and modified for new programs, and trying to simplify it as best we can.

When questioned by Senator Keating if the word "base" was defined in HB 7 as it is used quite frequently, Senator Jacobson said it was not.

Senator Keating said if everything started at the base it would be more simple to understand.

Clayton Schenck, LFA, said the base is not defined in statute but has been something the budget office and the LFA have agreed that it is using actual figures out of the state budget and accounting system without revising them. The only thing they do is exclude certain items from that base, and there was \$2.6 billion spent in the base that was used to derive the 1995 biennium. They excluded to get that down to \$1.5 billion, which excluded continuing and statutory appropriations, budget amendments, etc. The numbers actually used for the base are figures from the statewide budget and accounting system. He added they have always been able to reach an agreement on the starting base, but that would now become the emphasis and what is being compared from in HB 7.

Senator Aklestad questioned if the word "required" could be taken out because it could be construed as requiring them to spend money.

Mr. Lewis said he would agree with Senator Aklestad, and that is what they are trying to accomplish by clarifying that in the final language.

Senator Jacobson suggested substituting the word "proposed" for "required".

**Closing by Sponsor:**

Senator Jacobson closed for Representative Zook.

**HEARING ON HOUSE BILL 21**

**Opening Statement by Sponsor:**

Representative Mary Lou Peterson, House District 1, sponsor, said HB 21 deals with capturing recovery costs through the Department of Administration.

**Proponents' Testimony:**

Lois Menzies, Director, Department of Administration distributed a handout that she said would help simplify the concept.

(Exhibit 1) Ms. Menzies said HB 21 deals with two components. It creates a State Fund Cost Allocation Plan and modifies the existing Statewide Cost Allocation Plan. She also distributed a handout for FY 94 and FY 95 Total Distributed Costs. (Exhibit 2) The SFCAP would require nongeneral and nonfederal fund programs to contribute to the cost of general government services which are currently funded through the general fund. Under the SWCAP, state law requires federally funded agencies to negotiate with federal agencies to recover indirect costs of certain statewide

services.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

When asked by Senator Forrester what the Legislative Finance Committee said about this proposal, Senator Jacobson said there was no presentation made.

Senator Forrester said this would impact SB 378 which Senator Grosfield carried. He questioned if general fund money was being taken away and replaced with state special money, and Senator Jacobson said that was correct.

Senator Forrester said as he sees it, we are taking the general fund money, which is now appropriated for the agencies, into the budget reduction portion of the plan and in turn charging agencies some more. He questioned if the legislature has already appropriated the money.

Rep. Peterson said various services have been done under general fund money and certain agencies haven't been contributing. She noted there should be some capture mechanism so all agencies pay their share, whether it be computer costs, personnel costs, etc.

Senator Forrester asked why the agencies don't just revert the money rather than trying to fix the budget problem.

Rep. Peterson said what HB 21 attempts to do is fairly charge out those costs the agencies are using. It does not say which section of their budget they must use but is allowing the agency to make that decision. She agreed there are many ways to handle a problem, but this seems to be a very fair way of allocating those costs.

Senator Forrester said this bill is a budget fix as much as anything as well as a cost shift.

Senator Swysgood asked Ms. Menzies if the indirect costs associated with supplying services to an agency that is 99 percent general fund are paid by general fund money.

Ms. Menzies said yes.

Senator Swysgood asked if House Bill 21 is saying they can do something else.

Ms. Menzies said an agency that is close to 100 percent general funded would not be assessed anything under this plan. They would be taking the money out of the general fund to fund the centralized services she is speaking of. There will now be a

dual funding source for these programs; general fund as well as state special revenue.

Senator Swysgood said if we give agencies money to operate their budget, whether 100 percent general fund or whatever, most of their costs associated with indirect cost payments come from money appropriated to them, a lot of which is general fund. He does not understand where there is a general fund savings that is indicated.

Ms. Menzies said they are replacing general fund money with money collected from nongeneral fund sources. The cost centers are 100 percent general funded. Now, based on workload measurements assessing nongeneral fund agencies and nonfederal fund agencies for those costs, that money will come into a state special revenue account and will be used in lieu of general funds to pay for services.

Senator Jacobson said in some cases it won't be just nongeneral fund sources; some general fund would be recovered if the agency chooses to give back general fund.

Ms. Menzies said it would be prohibited that they would not be allowed to pay back with general fund or federal funds. Federal funds are collected through the statewide cost allocation plan.

Senator Swysgood asked if there would be some agencies packing the load for general fund agencies.

Ms. Menzies said no, they are not asking the nongeneral funded agencies to subsidize the general funded agencies.

Senator Swysgood said he didn't recall giving the Fish, Wildlife and Parks general fund money to pay indirect costs, and wondered what was happening.

Ms. Menzies said they weren't paying anything. Those services were 100 percent funded through general fund. The money was appropriated from the general fund.

Senator Hockett said he did not understand all the abbreviations shown on Exhibit 2 and would appreciate a list showing what they referred to.

Ms. Menzies explained the abbreviations used on the exhibit and said she would supply Senator Hockett with a list.

Senator Weeding questioned why this wasn't done in the subcommittee earlier.

Ms. Menzies said this isn't a new idea and if HB 21 doesn't pass, there is a mechanism they intended on implementing which was approved in the 1987 legislature. However, they do not think that is the best way and concluded that HB 21 is the fair way to

approach the situation.

Senator Keating asked if this was allowing them to charge their indirect costs against all the other agencies offsetting general fund.

Ms. Menzies said it is not their indirect costs; it is the costs for them to provide the services.

Senator Keating said the same thing was done with federal money in the last four or five sessions, whereby they have been reducing state appropriations to certain departments, using federal monies to cover those indirect costs.

Ms. Menzies said that was correct. They believe it will be a true reflection of the costs of providing programs by including the indirect costs.

Senator Keating said it is all our money, and asked if it mattered how it was accounted for. He questioned if agencies would ask for more general fund money so they can pay them through the proprietary account.

Ms. Menzies said that is a possibility, but looking at the totals it is probably something that can be absorbed by the agency.

Senator Keating said the Department of Administration provides services for a department that is state special revenue for the most part, and now that agency will pay indirect costs to the Department of Administration out of state special so the general fund appropriation can be reduced. However, they would have to increase their state special appropriation in order to pay the indirect costs. He questioned where they would get the money and if they increase their fees, the taxpayers are not saving any money.

Ms. Menzies said costs would be assessed to people who use those services.

Senator Keating said the accounting for the money would be more specific since it would reflect fees for service.

Senator Swysgood questioned if they were asking for 3/4 FTE.

Ms. Menzies said yes, it will be a new program and they do not have a person at this time.

Senator Forrester said the summary on page 43 says there will be a significant fund balance available for transfer to the general fund, and asked Ms. Menzies why people are being charged too much to start out with.

Ms. Menzies said she was not sure what it refers to, but at the end of the biennium they would be making adjustments.

Connie Griffith said in the LFA analysis there is a fund balance; there is no cash left. The cash would come into the next biennium and will be spent from there. They are anticipating adjustments because they are using budgeted figures. There would be an adjustment of matching budget to actual, and there would be an adjustment to make sure what they are recovering is the actual cost of the operations of the cost centers, not just the budgeted amount.

Senator Forrester asked why the LFA would feel there would be a significant fund balance available for transfer to the general fund.

John Moe, LFA, said the SWCAP revenues, which is federal recoveries, were going into the general fund. This proposal would take that from the general fund and put it in the state special. The SBCAP proposal would take the new recoveries from the nongeneral, nonfederal fund sources and deposit those into the state special. His analysis showed there would be, in terms of fund balance, a significant excess of money at the end of the biennium. After he discussed that with the budget office, they changed the bill to provide that whatever excess was available at the end of the year would be transferred to the general fund. The question still exists as to what the cash flow would be and he thinks that has been addressed in some of the analysis. In terms of a cash fund balance, there wouldn't be a significant amount, depending on what the cash flow is into that new state special account.

Senator Forrester asked if the assumption Mr. Moe has made is now incorrect.

Mr. Moe said at the end of the biennium there would still be a significant balance, but the bill has addressed that by saying that amount would be transferred to the general fund.

Senator Forrester asked what he would consider significant.

Mr. Moe said he thinks the balance in the table was about \$400,000 and that was based on the numbers used in the budget office analysis at that time. There were greater collections in SWCAP than were estimated in that analysis. It looked like it could be as much as \$700,000. Whatever the balance would be is transferred to the general fund.

**Closing by Sponsor:**

Representative Peterson closed on House Bill 21. She said all the money they deal with in budgeting is tax money and they are trying to make a cleaner concept of how those services are funded. Agencies are not opposing this because they understand the concept. The bill should give greater recoveries in indirect costs where in certain areas that has been ignored. She said this is a better plan than across the board cuts.

HEARING ON HOUSE BILL 33Opening Statement by Sponsor:

Representative John Cobb, House District 42, said he is a sponsor for the Department of Social and Rehabilitation Services (SRS). He said he has put amendments on the bill but he is not sure the SRS would agree with them. This bill allows the department to take a portion of Medicaid and bid it out, either in parts or all together, to allow someone to run the whole program or a partial part of the program. He noted this is a managed care concept. He explained the bill to the committee.

Proponents' Testimony:

Peter Blouke, Director of SRS, said they are very supportive of this program. He explained the expansion of Medicaid managed care (Exhibit 3). He said many other states have had success with this type of program, and the managed care concept has many advantages to the recipient. Benefits are not limited to the traditional services, quality of care is monitored and clients cannot be dropped because they are too expensive. He said he has heard a fear that Blue Cross/Blue Shield would get the whole contract. He said their intent is to put out an RFP so that any provider who meets certain criteria could bid on the contract as it builds competition into the system. They are hoping HMO's will develop across the state. He said they have worked with Rep. Cobb and Rep. Squires on amendments that would include an advisory group. They also have amendments that may be introduced that would include legislative participation on the advisory council. He said there is a concern with section 5 on page 3 which states a contract authorized will not be entered into prior to April 30, 1995. He added it was their intent to move rapidly because the savings are significant. They estimate that for every month there is a delay in contract it will cost approximately \$110,000 of general fund. The problem they have is if money is taken out, they would probably have to look someplace else to effect the savings. They had hoped to have a contract signed by January 1995 which would give those that have signed an opportunity to gear up. He said they have no problem with a review by the Legislative Finance Committee although they are not convinced it is appropriate to have the legislature review department contracts. Although they strongly support the bill, their single reservation is with section 5 on page 3.

Representative Carolyn Squires, House District 58, said her concern with section 5 is that they have the opportunity to review the contract. She said she has two amendments and added her concern is the desire to have the February 15th date because approximately \$200 million is being discussed as well as a new philosophy and policy decision being made within the department. She felt it is only fair that the providers have some input into the process. Her other amendment is proposing that the legislative finance committee have the opportunity to review the

contracts at their next scheduled meeting. She thinks the legislature should be responsible and do the appropriate things and also include the providers in the decision-making process. Her concern in the area of mental health is that if the mental health centers procure this contract and if it was \$80 per hour, \$40 would go to administration and \$40 to the provider, and she felt too much is being spent on administration.

Clyde Daily, representing the insurance department, said when the people are converted to an HMO they will be regulated by the state auditor's office and the insurance commissioner, and as a result of that there will be a minimal impact on their budget. They will probably need an FTE in 1995 to deal with the additional complaints.

Donna Hale, clinical social worker in private practice in Helena and representing 500 private practitioners in the state of Montana who see medicaid clients, said Montana is the only state that contracts direct to the private providers, so it is difficult to make comparisons to other states. She said they support the concept of managed care and support HB 33 as amended, not as it was originally offered. She said they are concerned about flexibility and accountability in the plan as well as the concern regarding money. The private providers currently provide 72 percent of the out patient medicaid services. They are paid 52 percent of the money spent on those services, which is a considerable difference. If this system is implemented quickly, HMO's would be required to have a minimum of 174 new therapists hired in order to deliver the number of hours the private practitioners delivered in 1992. She concluded they would like time to be able to work with the department to come up with a good plan and would like the next legislature to look at it.

Tanya Ask, Blue Cross/Blue Shield, said they support the efforts of SRS in the expansion of medicaid managed care.

Kathy McGowan rose in support of the bill. She said her main concern is not the money but the people that are going to be served by the system. The sooner a managed care system is implemented, the better it will be for the clients.

Candace Butler, representing the Mental Health Association of Montana, said they support House Bill 33 as it came out of the House. They are interested in implementing it as soon as possible regarding cost savings and would be interested in participating in the advisory committee.

**Opponents:**

None.

**Questions From Committee Members and Responses:**

Senator Christiaens asked Mr. Blouke to address the antitrust portion.

Mr. Blouke said they hadn't researched that. He does not think the mental health providers would be prohibited from coming together.

Senator Franklin said she would like to review it a couple of weeks in the 1995 session. She said this is a major public policy progression and she supports it, but has concerns about oversight.

Mr. Blouke said as he understands the amendment, the date is February 15. They had anticipated before the special session that they would have the contract actually signed by January, and their estimates were based on that. It will take whoever is contracted time to gear up to provide the services. The delay is about \$110,000 of general fund per month of delay. He said it will not stop anything, but he thinks some serious reductions are going to have to be made, so they are anxious to move rapidly to do what is good for the clients and is fiscally responsible.

Senator Keating asked Mr. Blouke if they could negotiate with individuals for small groups, like the social workers and the mental health providers on a capitation basis whereby those patients that only need 8 or 10 visits can help supplement those that need more than 22 visits, which would allow for fairness in the distribution of the costs.

Mr. Blouke said they could up to a point. It becomes inefficient and they do not have the staff to monitor 87 different contracts. He said they would contract with a group for an area and would subcontract. This would get away from limits on the number of services. It would be up to the provider to make sure the individual received the necessary care.

Senator Keating asked why the clinics are \$80 an hour and the providers are \$40 an hour.

Mr. Blouke said in the mental health centers they have to be under the supervision of a physician and have to provide services to a specific geographic area. They are providing a wide range of services in addition to the counseling.

Closing by Sponsor:

Representative Cobb closed on House Bill 33.

HEARING ON HOUSE BILL 34

Opening Statement by Sponsor:

Representative John Cobb, House District 42, said HB 34 is by

request of the department of SRS and was basically to allow the department to limit medically needy programs. He said there is already a statute that says they can limit services. The main part of the bill is to allow the department to restrict medically needy, which is the money already taken out of the budget.

**Proponents' Testimony:**

Peter Blouke, Director, SRS, said he is a reluctant proponent the way HB 34 has been amended. The reductions that were made in the medicaid budget was 2.6 million, and they will have to make further cuts in the medicaid budget because of the reduction. He said it is their intent at this point, unless otherwise directed by the legislature, to use the priority list that was included in the bill originally. They will have to reduce or limit hearing aids, mental health services, eye glasses, optical services and the list that was contained and eliminated on the House floor. He said he is a proponent in that they do need the bill to address the medically needy issue but they will be making further reductions and they will be consistent with the list that was amended.

**Opponents' Testimony:**

Mona Jamison, representing the Montana Chapter of American Physical Therapy Association and the Montana Association for Speech Pathologists and Audiologists, said the bill is really House Bill 2, Section B-proposed cuts by SRS, that the Human Services Subcommittee, the full House Appropriations, the full House, Senate Finance and Claims and the full Senate did not recommend. As a legislative body, they did not want to make those specific cuts in the list that are taken out on page 3 of the statement of intent. What could not be accomplished by the whole body now is trying to be accomplished by a statement of intent, which legally is not binding. She said it is bad public policy and the statement of intent needs to stay out. She added they support the bill without the amendments. She said the place to make cuts is in House Bill 2, and asked the committee to not let a statement of intent undo what the entire legislative process has intended to do.

John Schontz, representing the National Association of Social Workers, referred to page 3 line 13 and said this language would affect about 700 people served by community mental health centers in Montana. He noted that 80 percent are women and 25 percent of these people have been in Warm Springs in the past. If this service is denied to those people, a number of them will end up back in the institution. He said they support Senator Keating's amendment on the floor in terms of medically needy.

Rep. Dave Wanzenried, House District 7, said when HB 34 was introduced, the statement of intent was not in it and he felt it needs to be eliminated from the bill.

**Questions From Committee Members and Responses:**

Senator Lynch asked what would happen if HB 34 did not pass.

Rep. Cobb said if the bill does not pass, under statute they already have the existing authority to make cuts. Whether that is a wrong delegation of authority or not will someday get challenged in court. The list is \$1.7 million in actual cuts and Mr. Blouke is saying \$2.6 million would be saved so they would have to use their existing authority to do something.

Senator Keating asked Rep. Wanzenried about the fact that Human Services and the Appropriations committee rejected the cuts. He said the subcommittee voted program by program as to specific cuts, and they are dealing in the overall budget with a rather general and tenuous reduction in appropriation. It is not necessarily a cut in the sense that services are being cut; we are saying we are going to reduce the appropriation we made because we may not have to spend what was appropriated previously. However, if our estimates are wrong, we are directing by this law and by the appropriations bill that there will be specific cuts of optional services.

Rep. Wanzenried said that was a fair assessment of what has taken place so far. The statute gives them the authority to make cuts.

Senator Keating said he has no feeling about having the statement of intent in the bill because it can be ignored and the department should use good judgment in making cuts. Some of the optional services will not have the demand that others have and the department may have some discretion in shifting appropriations from the unused optional services to more used optional services. He thinks the managed care will affect some savings that will be beneficial to the taxpayers as well as the clients.

Senator Jergeson asked which committee was referred to in the new section 1.

Rep. Wanzenried said the wrong amendment was placed on the bill.

Senator Swysgood asked Mr. Blouke if Rep. Cobb's estimation was wrong and Mr. Blouke was right, would they have to make further reductions in their program in order to come up with the \$12 million that was cut.

Mr. Blouke said that was correct.

Senator Swysgood questioned if SRS has the tools to make the difference without the medically needy being in there if HB 34 did not pass.

Mr. Blouke said their attorney has indicated they need the medically needy. He feels they do have the tools to make the

cuts, but these are significant policy decisions that impact thousands of Montana citizens and he felt the legislature should participate in the process.

Senator Swysgood said he agrees with Mr. Blouke that the legislature should have participated in the process rather than making SRS take all the heat. He said his main concern is coming up with money, and asked if this bill was necessary to do that.

Mr. Blouke said their attorney says they need medically needy and Greg Petesch says they don't.

Senator Waterman asked if there would be a legal challenge on this if cuts were made.

Ms. Jamison said in terms of her clients, they don't have the money for that kind of litigation, so she would think the chances were remote. She said SRS needs the bill to make the cuts for the medically needy. The comparable authority to cut both duration and benefits already exists. What concerns her is that they have the existing authority so the statement of intent is not binding.

#### Closing by Sponsor:

Rep. Cobb closed on House Bill 34. He said the cuts were only for 1995 and on the list they want back in, there are only \$1.7 million in cuts so there is another million dollars or more that they will have to find under existing authority. Concerning the growth rate, he said he called other states and Colorado is saying they are only growing at 13 percent and they think it should be about 11 percent. Montana is still up to 16 or 17 percent growth rate. He also called Wyoming, South Dakota, Oregon and they are all growing at a lot lower growth rate. If Montana is growing at higher rates than other states it means the state will be in a lot of trouble next time. There is over \$100 million dollars general fund that is going to be spent.

#### HEARING ON SJR 2

#### Opening Statement by Sponsor:

Senator Jim Burnett, Senate District 42, sponsor, said SJR 2 directs the oversight committee on children and families to examine inefficiencies in the provision of services to the elderly by state government agencies and to make recommendations to the next legislature concerning possible legislation to address and alleviate future problems.

#### Proponents' Testimony:

None.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Jacobson indicated she had a letter from Rep. Barnhart advising that she was the chairperson of children and families and although they have set their agenda for next year, she felt the issue Sen. Burnett is referring to deserves consideration and they may set up a subcommittee to look into it.

**Closing by Sponsor:**

Senator Burnett closed on SJR 2.

**HEARING ON SENATE BILL 50**

**Opening Statement by Sponsor:**

Senator Mignon Waterman, Senate District 22, sponsor, said Senate Bill 50 requires the Department of SRS, the Department of health and the Board of Nursing to work together to establish a new category of medicaid eligible long term care called Assisted Living. She said the fastest growth in medicaid is in long term care for the elderly and the disabled. She presented handouts on assisted living. (Exhibits 4, 5 and 6)

**Proponents' Testimony:**

Senator Waterman said the representative of AARP had to leave the hearing, but they want to be on record as being in favor of this bill.

Peter Blouke, SRS Director, said they support SB 50. They want to move into the area gradually which is one of the reasons it is under a waiver service rather than opening up everything. They believe that in the long term this will be a significant savings to the state and will provide a type of service that is more acceptable to the elderly population. Nursing homes will continue to have a very legitimate and necessary place, but we need to build a continuum to provide the most appropriate and cost effective care to recipients.

Rose Hughes, Executive Director of the Montana Health Care Association, representing nursing homes and some personal care facilities in Montana, said they support SB 50 as a necessary piece of legislation to establish appropriate continuing care for elderly people who need a variety of services and assistance. They would like to see an expanded definition of assisted living. She added they do not want to restrict the service. Personal care facilities right now are very restrictive in terms of who they

can take care of and in the number of regulations, etc. that are applicable to them. If they could change to the new category, they would be able to offer a variety of services. She said this isn't a payment statute, it is a licensure statute. She suggested if it is not so restrictive, there might be more services available to the general public, including those who pay privately. She noted that although they don't have a problem with the exemptions, they do have a problem with the fact that it is only in assisted living facilities. They feel if it is a good idea in assisted living, it should be for personal care and nursing facilities too. She said on page 6 there is a property tax exemption, and added an exemption is being given for any assisted living facility, even those that run for profit. She questioned if that should be done. On page 56 of SB 50, there are no specific inspection requirements. She suggested if this is an alternative to nursing homes and is run as a waiver program, it should be inspected under the health facility side where they send in a nurse, rather than the hotel side where they only send in a sanitarian to inspect for cleanliness, etc. She said this bill is very comprehensive in terms of trying to fit assisted living into all places. She suggested they might want to add the resident's rights statute that affects all long term care, personal care and nursing facilities.

Charles Briggs, Director of Area 4 Agency on Aging, representing the Montana Association of Agencies on Aging, spoke in support of SB 50. Based on AARP studies of 21 states that have developed some type of assisted living model, it comes down to private occupancy units with at least full bathrooms, kitchenettes with refrigerators, cooking capacity and lockable doors. Assisted living has proven very viable in rural areas in complexes of 20 - 25 units. He recommended that assisted living be defined narrowly at first and asked the committee to make it an option available to the citizens of Montana, not only to reduce the growth of long term care expenditures, but to give individuals personal choice regarding their care.

**Opponents' Testimony:**

None.

**Questions From Committee Members and Responses:**

Senator Christiaens said \$56 a day seems high and he questioned if there was also a dining room in which the meals are furnished if an individual didn't want to cook.

Mr. Briggs said that is a viable option in assisted living facilities. They have a residential dining area similar to retirement homes. The cost is adding in all other types of services, since the services are brought to the people rather than them going to the service. He said sometimes people with fairly advanced alzheimers need different types of supportive services.

Senator Christiaens asked how it is determined the individual no longer fits this type of service but needs more extensive type of service.

Mr. Briggs said the key is case management. They would have a plan of care that is tied to their capacity within the continuum of activities of daily living. He said in Oregon they have found that most stay in the facility until they die.

Senator Jacobson asked Mr. Briggs about his reference to fairly advanced alzheimer patients and if he was talking about putting them into an apartment with a kitchen, a stove and a door that locks. She questioned that that would be dangerous; fairly advanced alzheimer patients often wander away from facilities and often forget they have turned on a burner.

Mr. Briggs said there are ways of determining if the patient is no longer able to be in that type of facility. He said alzheimer patients who can no longer stay in their original home setting can still be worked with.

Senator Jacobson said not every person in assisted living needs a kitchen as some of them can no longer cook. A stroke patient who is partially paralyzed isn't going to be able to cook and concluded that one apartment doesn't fit every patient.

Mr. Briggs said that was something the committee would want to consider, but he would disagree. The cost of putting a microwave oven in a kitchenette is significantly less than some of the other costs in more institutionalized care.

Senator Jacobson said she is just worried about the danger to the patients.

Senator Franklin said the changes in the nurse practice act included a portion called delegation of non nursing tasks, and the Montana Nurses Association came forward with the acknowledgement that needs were not being met in the community. She said there has been some independent effort on the part of nursing to meet those needs. She thinks there is a potential for this to work rather than developing another licensed personnel.

When questioned by Senator Hockett relative to a fiscal note, Senator Waterman said she didn't know if one was needed as they are simply authorizing them to develop a category.

Senator Keating said he is concerned about licensure. He asked if there would be a problem with the Department of Health restricting or specifying certain things in the way these places are prepared.

Senator Waterman said they have met with the Department of Health and have tried to make it clear that they want flexibility. She said it would be different operating an assisted living facility

in Sidney as opposed to Billings.

Senator Franklin said she is concerned about how this would interact with the personal care facilities.

Senator Waterman said personal care facilities are on the medical model and are classified with nursing homes. This is just another category. She said in 1995 there will probably be other categories. Flexibility is needed and it does not diminish the personal care facilities, it enhances them.

Nancy Ellery, SRS, said personal care facilities can basically remodel in order to meet the licensing requirements for assisted living.

**Closing by Sponsor:**

Senator Waterman closed. She offered amendments to the bill. (Exhibit 7) She noted that they don't want to open it to everyone at this point and are being very cautious so they are not endangering anyone. She said there may be room for an expansion of this category in the 1995 session.

**ADJOURNMENT**

**Adjournment:** The meeting adjourned at 12:25 p.m.

  
\_\_\_\_\_  
SENATOR JUDY JACOBSON, Chair

  
\_\_\_\_\_  
LYNN STALEY, Secretary

JJ/ljs

# ROLL CALL

SENATE COMMITTEE FINANCE & CLAIMS

DATE 12/13/93

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 SWYSGOOD	✓		
SENATOR TOEWS	✓		
SENATOR TVEIT	✓		
SENATOR VAUGHN	✓		
SENATOR WATERMAN	✓		
SENATOR WEEDING	✓		

Attach to each day's minutes

## TESTIMONY ON HOUSE BILL NO. 21 (PETERSON)

Submitted by Lois Menzies, Director  
Department of Administration  
December 13, 1993

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 1

DATE 12/13/93

FILE NO. HB 21

### I. State Funds Cost Allocation Plan (SFCAP)

- ▶ Requires nongeneral & nonfederal fund programs to contribute to the costs of general government services (now funded through general fund)
- ▶ Services to be funded under allocation plan:
  - OBPP: position control and program planning
  - DofA's Accounting: SBAS support, accounting/financial reporting, treasury
  - DofA's State Personnel: personnel policy, classification, labor relations
- ▶ Allocation of costs based on workload generated by each agency in even-numbered base year. Examples of workload measurements:
  - OBPP position control: number of FTE on PPP
  - SBAS support: number of SBAS transactions
  - Personnel classification: number of classified FTE
- ▶ Accounts assessed indirect costs: state special revenue, proprietary, expendable trust, pension trust
  - Accounts not assessed: general fund, federal funds, nonrecoverable funds
- ▶ Assessments deposited into a state special revenue account
  - Funds to operate programs appropriated from the account
  - Unappropriated fund balance reverted to general fund
- ▶ Agencies determine from which source(s) (other than general, federal fund types) assessments will be paid
- ▶ Estimated general fund replacement: \$310,000 in FY94; \$621,000 in FY95
- ▶ Expands state special revenue cost allocation plan approved by 1987 Legislature
  - Authorized recovery of costs from state special revenue accounts that retained interest earnings
- ▶ Similar to method used to fund warrant writer and state payroll programs

~~(OVER)~~

## II. Statewide Cost Allocation Plan (SWCAP)

- ▶ State law requires federally-funded agencies to negotiate with federal agencies to recover indirect costs of certain statewide services
- ▶ Mechanism used to allocate costs to agencies: SWCAP
- ▶ SWCAP collections for FY92: approx. \$500,000
- ▶ Incentive to aggressively negotiate for recovery of indirect costs is lacking
- ▶ Under HB 21:
  - SWCAP collections would be deposited into same state special revenue account as SFCAP collections
    - Exception: indirect costs collected by units of university system
  - Creates incentive for DofA to maximize recovery because DofA's programs are funded in part through SWCAP collections

### Cost of implementing HB 21:

- ▶ 0.25 FTE in FY94 and 0.50 FTE in FY95 and thereafter
- ▶ Duties of position:
  - Develop annual SFCAP
  - Assist in preparing SWCAP
  - Assist agencies in implementing SFCAP
  - Monitor compliance with both plans

FY94 TOTAL DISTRIBUTED COSTS  
Revised 03-Dec-93

Agency Name	OBPP		DoA Accounting			DoA Personnel			Subtotal Distributed Costs	DoA Admin	FY94 Assessment
	PosCntrl	PP/DP	SSU	APFRS	Treasury	Adm/Pol	Class	LabRel			
1101 Legislative Auditor	164	282	201	59	37	900	0	0	1,643	13	835
1102 Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104 Legislative Council	0	232	122	48	26	0	0	0	428	3	217
1109 Legislature - Senate	0	0	0	0	0	0	0	0	0	0	0
1110 Legislature - House	0	0	0	0	0	0	0	0	0	0	0
1111 EQC	0	2	11	0	7	0	0	0	20	0	0
1112 Consumer Council	20	132	49	27	15	109	0	0	352	3	179
2115 Judicial	82	222	189	45	178	451	0	0	1,167	9	593
2115 MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	0
3101 Governor's Office	1	4	7	1	0	5	5	0	23	0	0
3201 Secretary of State	63	111	207	23	34	347	307	0	1,092	9	555
3202 Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401 State Auditor's Office	52	142	93	29	16	286	253	0	871	7	443
3501 Supt. of Pub Instruct	129	338	434	72	169	707	626	0	2,475	20	1,258
3511 Billings voTech	0	71	486	15	224	0	113	0	909	7	462
3512 Butte voTech	0	60	126	12	73	0	97	0	368	3	187
3513 Great Falls voTech	0	218	294	45	168	0	366	0	1,091	9	555
3514 Helena voTech	0	60	203	12	144	0	110	0	529	4	269
3515 Missoula voTech	0	162	511	34	243	0	273	0	1,223	10	622
4107 Crime Control	17	131	123	27	46	90	80	0	514	4	261
4108 Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	0
4110 Justice	1,777	3,413	1,508	708	1,339	9,719	8,616	3,829	30,909	250	15,705
4201 PSC	2	4	13	1	4	11	10	0	45	0	0
5101 Bd of Pub Ed	10	18	41	4	17	56	50	0	196	2	100
5102 Comm of Higher Ed	0	2,441	122	414	46	3	2	0	3,028	24	1,538
5103 University of Montana	0	0	15,563	445	6,653	0	2,171	0	24,832	467	12,883
5104 Montana State University	0	0	4,684	545	3,499	0	5,470	0	14,198	275	7,374
5105 Montana Tech	0	0	522	77	348	0	279	0	1,226	20	633
5106 Eastern Montana College	0	0	2,152	284	1,090	0	1,322	0	4,848	81	2,505
5107 Northern Montana College	0	0	822	125	573	0	462	0	1,982	32	1,023
5108 Western Montana College	0	0	635	63	372	0	306	0	1,376	23	711
5109 Ag Exper Station	0	0	64	20	24	0	0	0	108	5	59
5110 Coop Ext Service	0	0	0	5	0	0	0	0	5	0	0
5111 For & Cons Exper Staln	0	0	0	0	0	0	0	0	0	0	0
5113 School for Deaf and Blind	0	40	3	6	0	0	0	0	49	0	0
5114 Montana Arts Council	8	142	243	29	81	46	41	0	590	5	300
5115 Library Commission	28	154	172	32	57	154	136	0	733	6	373
5116 Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117 Historical Society	41	141	670	29	519	227	201	0	1,828	15	929
5119 Fire Serv Trng School	1,945	5,293	15,298	1,079	4,518	10,641	9,433	2,221	75	1	0
5201 Fish, Wildlife & Parks	792	3,918	4,005	572	2,039	4,335	3,843	2,589	50,428	408	25,622
5301 Health	7,257	31,383	13,426	6,520	8,967	39,702	35,197	27,764	22,093	179	11,226
5401 Transportation	758	1,034	1,535	214	686	4,144	3,674	125	170,216	1,377	86,485
5501 State Lands	445	849	1,574	176	1,036	2,435	2,159	0	12,170	98	6,183
5603 Livestock	562	1,523	3,040	300	1,046	3,072	2,724	0	8,674	70	4,407
5706 Natural Resources	293	7,291	7,968	1,513	4,261	1,610	1,428	487	12,267	99	6,233
5801 Revenue	1,138	16,009	5,836	3,378	1,728	6,224	5,517	882	24,851	201	12,627
6101 Administration	1,044	26,709	2,562	5,541	1,415	5,709	0	4,020	40,712	329	20,885
6103 State Fund	94	263	1,166	3,731	524	513	455	356	47,000	380	23,880
6104 PERD	54	142	521	2,853	316	295	262	0	7,102	57	3,608
6105 TRS	0	1,165	555	326	95	0	0	0	4,443	36	2,258
6107 LRBP	300	1,411	1,807	260	779	1,641	1,455	759	2,141	17	1,088
6201 Agriculture	435	1,736	2,565	360	987	2,378	2,108	1,951	8,412	68	4,274
6401 Corrects & Human Serv	1,215	23,233	5,167	4,912	2,175	6,645	5,891	0	12,520	101	6,361
6501 Commerce	826	1,847	1,860	361	500	4,519	4,006	3,041	49,238	398	25,017
6602 Labor and Industry	0	2	18	1	16	0	0	0	16,960	137	8,617
6701 Adjutant General	735	1,461	3,660	303	533	4,020	3,563	2,805	37	0	0
6901 SRS	169	629	238	130	128	927	822	414	17,080	154	8,694
6911 Family Services									3,457	28	1,757
TOTAL	20,458	134,435	103,143	35,770	47,794	111,933	103,843	51,243	608,619	5,455	309,563

SENATE FINANCE AND CLAIMS  
 EXHIBIT NO. 2  
 DATE 12/13/93  
 BILL NO. HB 21

FY95 TOTAL DISTRIBUTED COSTS  
Revised 03-Dec-93

Revised

03--Dec--93

130 TOTAL DISTRIBUTED COSTS

Agcy#	Agency Name	OBPP		DoA Accounting			DoA Personnel			Subtotal Distributed Costs	DoA Admin	FY95 Assessment
		PosCntr	PP/DP	SSU	APFRS	Treasury	Adm/Pol	Class	Label			
1101	Legislative Auditor	162	279	200	59	38	915	0	0	1,653	23	1,676
1102	Leg Fiscal Analyst	0	0	0	0	0	0	0	0	0	0	0
1104	Legislative Council	0	229	122	49	26	0	0	0	426	6	432
1109	Legislature -- Senate	0	0	0	0	0	0	0	0	0	0	0
1110	Legislature -- House	0	0	0	0	0	0	0	0	0	0	0
1111	EQC	0	2	11	0	7	0	0	0	20	0	0
1112	Consumer Council	20	130	49	28	15	111	0	0	353	5	358
2110	Judiciary	81	219	188	46	180	459	0	0	1,173	16	1,189
2115	MT Chiro Legal Panel	0	2	4	0	3	0	0	0	9	0	0
3101	Governor's Office	1	4	7	1	0	5	5	0	23	0	0
3201	Secretary of State	63	110	207	23	35	352	312	0	1,102	15	1,117
3202	Comm of Pol Pract	0	0	0	0	0	0	0	0	0	0	0
3401	State Auditor's Office	52	140	93	30	17	290	257	0	879	12	891
3501	Supt. of Pub Instruct	127	333	433	73	171	718	637	0	2,492	34	2,526
3511	Billings voTech	0	70	485	15	227	0	115	0	912	13	925
3512	Butte VoTech	0	59	126	12	74	0	99	0	370	5	375
3513	Great Falls VoTech	0	215	293	46	170	0	373	0	1,097	15	1,112
3514	Helena VoTech	0	59	197	13	145	0	112	0	526	7	533
3515	Missoula VoTech	0	160	510	34	245	0	278	0	1,227	17	1,244
4107	Crime Control	16	130	122	28	46	92	81	0	515	7	522
4108	Highway Traffic Safety	2	15	29	3	5	12	10	0	76	1	0
4110	Justice	1,753	3,368	1,505	715	1,355	9,881	8,760	3,893	31,230	430	31,660
4201	PSC	2	4	13	1	4	11	10	0	45	1	0
5101	Bd of Pub Ed	10	17	41	4	17	57	51	0	197	3	200
5102	Comm of Higher Ed	0	2,409	122	418	46	5	2	0	3,002	41	3,043
5103	University of Montana	0	0	15,532	449	6,733	0	2,208	0	24,922	797	25,719
5104	Montana State University	0	0	4,675	550	3,542	0	5,561	0	14,328	470	14,798
5105	Montana Tech	0	0	521	78	353	0	284	0	1,236	34	1,270
5106	Eastern Montana College	0	0	2,148	287	1,103	0	1,344	0	4,882	139	5,021
5107	Northern Montana College	0	0	820	126	580	0	469	0	1,995	54	2,049
5108	Western Montana College	0	0	634	64	377	0	311	0	1,386	38	1,424
5109	Ag Exper Station	0	0	64	20	24	0	0	0	108	9	117
5110	Coop Ext Service	0	0	0	5	0	0	0	0	5	17	0
5111	For & Cons Exper Statn	0	0	0	0	0	0	0	0	0	0	0
5113	School for Deaf and Blind	0	40	3	6	0	0	0	0	49	1	0
5114	Montana Arts Council	8	140	242	30	82	46	41	0	589	8	597
5115	Library Commission	28	152	172	32	58	156	138	0	736	10	746
5116	Adv Council for Voc Ed	0	0	0	0	0	0	0	0	0	0	0
5117	Historical Society	41	139	668	30	525	230	204	0	1,837	25	1,862
5119	Fire Serv Trng School	0	0	39	1	35	0	0	0	75	1	0
5201	Fish, Wildlife & Parks	1,920	5,224	15,268	1,090	4,573	10,819	9,591	2,258	50,743	699	51,442
5301	Health	782	3,867	3,998	578	2,064	4,408	3,907	2,633	22,237	307	22,544
5401	Transportation	7,163	30,974	13,400	6,587	9,076	40,366	35,786	28,229	171,581	2,365	173,946
5501	State Lands	748	1,020	1,532	217	694	4,214	3,735	127	12,287	169	12,456
5603	Livestock	439	838	1,571	178	1,049	2,476	2,195	0	8,746	121	8,867
5706	Natural Resources	554	1,503	3,035	303	1,059	3,124	2,769	0	12,347	170	12,517
5801	Revenue	291	7,196	7,952	1,528	4,313	1,637	1,451	495	24,863	343	25,206
6101	Administration	1,123	15,800	5,825	3,413	1,749	6,328	5,610	896	40,744	562	41,306
6103	State Fund	1,030	26,360	2,557	5,598	1,433	5,805	0	4,087	46,870	646	47,516
6104	PERD	93	260	1,164	3,769	531	522	463	362	7,164	99	7,263
6105	TRS	53	140	554	2,883	320	300	266	0	4,482	62	4,544
6107	LRBP	0	1,150	554	330	96	0	0	0	2,130	29	2,159
6201	Agriculture	296	1,392	1,804	263	788	1,669	1,480	771	8,463	117	8,580
6401	Corrections & Human Serv	429	1,714	2,560	364	999	2,418	2,144	1,984	12,612	174	12,786
6501	Commerce	1,199	22,930	5,157	4,962	2,202	6,756	5,989	0	49,195	678	49,873
6602	Labor and Industry	815	1,823	1,856	365	506	4,594	4,073	3,092	17,124	236	17,360
6701	Adjutant General	0	2	18	1	17	0	0	0	38	1	0
6901	SRS	725	1,442	3,653	306	539	4,087	3,623	2,851	17,226	264	17,490
6911	Family Services	167	621	237	132	130	942	835	421	3,485	48	3,533
	TOTAL	20,193	132,681	102,936	36,143	48,376	113,805	105,579	52,099	611,812	9,344	620,794

## EXPANSION OF MEDICAID MANAGED CARE

Managed care is defined as the management of health services through an organized health care delivery system. There are a variety of approaches to managed care; all of which focus on how health care is delivered rather than merely on what each service costs. Approaches include Health Maintenance Organizations (HMOs) and Primary Care Case Management (PCCMs) models.

Current System - Montana Medicaid implemented the Passport to Health Program in January '93. This program is based on the Primary Care Case Management (PCCM) model of managed care. Under Passport, primary care providers (physicians and mid level practitioners) provide primary and preventive care and authorize most physician and hospital services for Medicaid clients enrolled with them.

Almost 300 Passport providers are enrolled in 15 counties around the state. As of November 1, 1993, approximately 25,000 clients are enrolled in the Program. Currently SRS eligibility specialists inform clients applying for Medicaid about the Passport program. Client enrollment in Medicaid is processed by one FTE in Helena. A pamphlet is given to clients and providers explaining the program. A toll-free telephone number is also available for clients and providers to ask questions about the program. Because of staff constraints, minimal efforts have been made to educate clients about the program and recruit additional Passport providers. Reimbursement to providers is based on fee for service plus a \$3 per month incentive fee for each enrolled client.

Proposed Expansion - Montana Medicaid is proposing to expand the options under managed care in two ways.

1. Enroll Health Maintenance Organizations (HMOs). HMOs control the organization, delivery and financing of care. They charge a fixed fee (or capitation amount), payable in advance to cover each person's care.

- Under the proposed expansion, Medicaid clients could choose a Passport provider or HMO to receive their health care. The HMO will be reimbursed monthly on a pre-determined capitated basis for each client enrolled. This capitation amount is actuarially based on historical usage of Medicaid recipients. The capitation rate is based on a level less than what Medicaid reimburses on a fee for service basis. For example if Medicaid had historically spent \$1,500 per year for an AFDC adult, the capitation rate could be set at \$1,425 per year or \$119 per month which is 95% of what would have been spent on a fee for service basis. The managed care provider would be at risk for expenditures exceeding the capitation rate. They would retain the savings if actual expenditures were less than the capitation rate. The capitation rate would cover all Medicaid benefits except long term care (which includes nursing homes, ICF-MRs and waiver services) mental health services for adults, and Medicare deductibles and co-insurance.

- SRS would initiate a competitive procurement process through which qualified vendors would be selected. (Currently, Blue Cross/Blue Shield is the only licensed HMO in Montana but that is expected to change as the industry prepares for national health care reform.) SRS would have to pursue a waiver from the federal government to implement this option. Depending on the regulations the federal government allows the state to waive, the HMO could offer expanded benefits and guaranteed periods of eligibility.
- 2. Mental Health Capitation. SRS would initiate a competitive procurement process to select qualified mental health providers to provide mental health services for adults. (Children would continue to be served under the fee for service system with case management being provided through the Managing Resources Montana program. They would be phased into a capitated system in 3 to 5 years.) Providers would be responsible for providing or arranging all inpatient and outpatient mental health care on a capitated basis. The providers would seek to ensure access to mental health care in the most clinically appropriate and cost-effective setting. Department of Corrections and Human Services is exploring the feasibility of providing non-Medicaid care under this model as well.

Mental health capitation is being pursued separately from the HMO and Passport models because most primary care providers do not have experience in providing the more intensive mental health services needed by adults with severe and disabling mental illnesses. This separation of functions has proven effective in other states.

#### GOALS AND OBJECTIVES

1. To improve access to and availability of preventive and primary care.
2. To improve quality, continuity and appropriateness of care.
3. To reduce rate of growth in Medicaid per capita from expenditures.
4. To increase the number of clients enrolled in managed care.
5. To provide clients and providers with a variety of health plan and provider choices.
6. To work with contracted providers to ensure they are providing quality of care.

### Resources Required

To implement managed care expansion, the department will seek a contractor to perform the following functions:

- 1) develop a capitated rate for HMO and Mental Health providers;
- 2) develop a request for proposal for the managed care contractors;
- 3) develop the required federal waiver;
- 4) provide enrollment and outreach services to ensure clients make informed choices about managed care participation and select the most appropriate managed care provider from among those available.

The contract provider would conduct a health assessment with the client in person or by phone and provide client with information about HMOs and Passport providers in their area. Clients who do not choose an HMO or Passport provider within 30 days would be assigned one.

Implementation Date - July '95

Montana Medicaid Managed Care Options  
Projected Timeline

November 16, 1993

<u>Target Date</u>	<u>System Design</u>	<u>System Implementation</u>
November 24, 1993	Issue Request for Information	
December 22, 1993	RFI Response Deadline	
January 7, 1994	Determine parameters of actuarial/system design study.  (6 weeks)	
February 18, 1994	Issue RFP for actuarial/system design study.  (6 weeks)	
April 1, 1994	Proposal receipt deadline.  (2 weeks)	
April 15, 1994	Select contractor.  (12 weeks)	
July 8, 1994	Report due.	Determine preliminary parameters for managed care/capitated system.  (4 weeks)
August 5, 1994		Issue RFPs for system management.  (3 months)
November 7, 1994		Proposal receipt deadline.  (2 months)
January 6, 1994		Select system management contractors.  (6 months)
July 1, 1995		Managed care/capitated system implementation.

MONTANA MEDICAID MANAGED CARE OPTIONS  
ADMINISTRATIVE COSTS  
AND PROJECTED SAVINGS

Summary:

FY 94:

	Total	GF	FFP
1 FTE for HMO option(1/2 year)	\$ 19,277	9,638	9,638
Actuarial/consultant contract	<u>500,000</u>	<u>250,000</u>	<u>250,000</u>
TOTAL COSTS	519,277	259,638	259,638

FY95:

2 FTE for HMO option	68,106	34,053	34,053
1 FTE for mental health program	35,553	17,777	17,777
Actuarial consultant costs	50,000	25,000	25,000
MMIS revisions	<u>150,000</u>	<u>15,000</u>	<u>135,000</u>
TOTAL COSTS	303,659	91,830	211,830

FY96:

Projected savings from capitating mental health services net of any contract administrative cost	622,789	186,837	435,952
Actuarial consultant costs	50,000	25,000	25,000
Projected savings from managed care options (HMO) net of any contract administrative cost	<u>3,806,561</u>	<u>1,141,968</u>	<u>2,664,593</u>
TOTAL SAVINGS	<u>4,379,350</u>	1,303,805	3,075,545

FY97:

Projected savings from capitating mental health services net of any contract administrative cost	701,628	210,488	491,140
Actuarial consultant costs	(50,000)	(25,000)	(25,000)
projected savings from managed care options ( HMO) net of any contract administrative cost	<u>4,347,093</u>	<u>1,304,128</u>	<u>3,042,965</u>
TOTAL SAVINGS	4,998,720	1,489,616	3,509,105

## Advocate promotes choice for elders

Assisted living  
saves costs and  
independence

YMEA ANDREWS  
The Missoulian

Like many reformers, Keren Brown Wilson's work is guided by personal experience.

After a stroke at the age of 56, Wilson's mother spent a decade living in a nursing home. She complained regularly about the lack of privacy, about institutional rules being unbendable, about living life on a schedule and about aides and nurses who called her "honey" instead of by her given name.

Those complaints, said Wilson, "have been the guiding principles that motivated me for the past 14 or 15 years." They resulted in Wilson's dedication to the concept of "assisted living" — finding ways for aged adults to live in an environment that allows for the widest array of choices and control.

"If you have enough money, you've always been able to get



**KEREN BROWN WILSON'S crusade for more independent living for seniors had its genesis in her mother's experiences in a nursing home.**

assisted living in the United States. But if you didn't have money, the only choice you'd have is a nursing home," said Wilson, the luncheon speaker Thursday on the final day of the Governor's Conference on Aging in Missoula.

Nursing homes are built on a

"We assumed that old people were sick because they needed help going to the bathroom or taking their medication."

Oregon adopted a "social model" instead. Twenty-five facilities, with 12 to 112 units, are now part of the assisted-living network. State officials sought and received federal permission to allow reimbursement for low-income people covered by Oregon's Medicaid program.

More than 30 percent of the units are used by Medicaid, which serves low-income people of all ages. Medicaid programs in most states cover nursing home care but have minimal coverage for people outside of institutions.

"Every single unit has a kitchen and a bath," she said. There are no guaranteed services: If a person needs help bathing but can cook for themselves, help is found. If they need a nurse or aide for daily medication dispensing, help is found.

Priority is placed on individual control, the right to refuse services, independent living in a private apartment.

"The average cost," Wilson said, "is 60 percent of a nursing home cost for private-pay resi-

dents and 67 percent of the cost for state-paid residents."

Wilson, who co-authored a study of national assisted-living projects just published by the American Association of Retired Persons, predicts that assisted-living will be available in most states in the near futures. One project already being discussed in Missoula for the Fox Theater site.

"What is being talked about across this country is assisted living," Wilson said. "The days of the 200-unit projects are gone. We know our consumers can't function very well in those environments."

"If there is anything that driving the movement for assisted living it is the demand of consumers and the fiscal crisis in government."

She also predicted that assisted living "will be on the table with health-care reform" because it gives consumers what they want — independence — at less cost.

"The bottom line for assisted living must not be how big the windows are or how many stairs are on duty," she said. "But should be: Did the person get the services that they needed in a way that satisfied them?"

## ASSISTED LIVING

SENATE FINANCE AND CLAIMS

EXHIBIT NO. 5

DATE 12/13/93

BILL NO. 5850

### Definition:

- ⊙ Assisted living is a type of care which combines housing and services in a homelike environment which maximizes individual functioning and autonomy.
- ⊙ In the continuum of care it generally falls between facilities which provide only room and board and skilled nursing facilities.
- ⊙ Assisted living improves outcomes and quality of life and costs less than other long-term care alternatives.
- ⊙ Ideally, assisted living implies "home-like buildings, single occupancy units with individual baths and cooking capacity, privacy, and skilled nursing and support services as needed."

### What Assisted Living Does:

- ⊙ Offers a care option that consumers and their families want for those who cannot live alone but do not need 24 hour skilled medical care.
- ⊙ Combines housing, personalized assistance, supportive services and health care in a residential environment.
- ⊙ Costs less than home health care or nursing home care.
- ⊙ Emphasizes choice, dignity, respect and maximum independence.

### Assisted Living in Montana:

- ⊙ In Montana, Assisted Living would be offered under a Home and Community Services Waiver. Under a waiver, clients must meet nursing facility level of care and costs for services cannot be greater than nursing facility costs.

### Composite of individuals (now entering nursing facilities) who would benefit from Assisted Living:

- ⊙ Jayne Dough is an 83 year old woman whose daughter-in-law cared for her until the daughter-in-law died. Her son's disabilities prevent him from providing much care. Mrs. Dough is hard of hearing, diabetic, speech impaired, requires a special diet which she is unable to prepare for herself, uses poor judgement and is somewhat unresponsive. Although she can do many things for herself, she must be constantly encouraged to do even the most simple tasks. Currently she would be determined to meet nursing facility level of care and be placed in a NF at a cost of \$80/day. If assisted living were available, Mrs. Dough would be an excellent candidate for this service and could probably be served in an assisted living facility at a minimum rate.

# Assisted Living

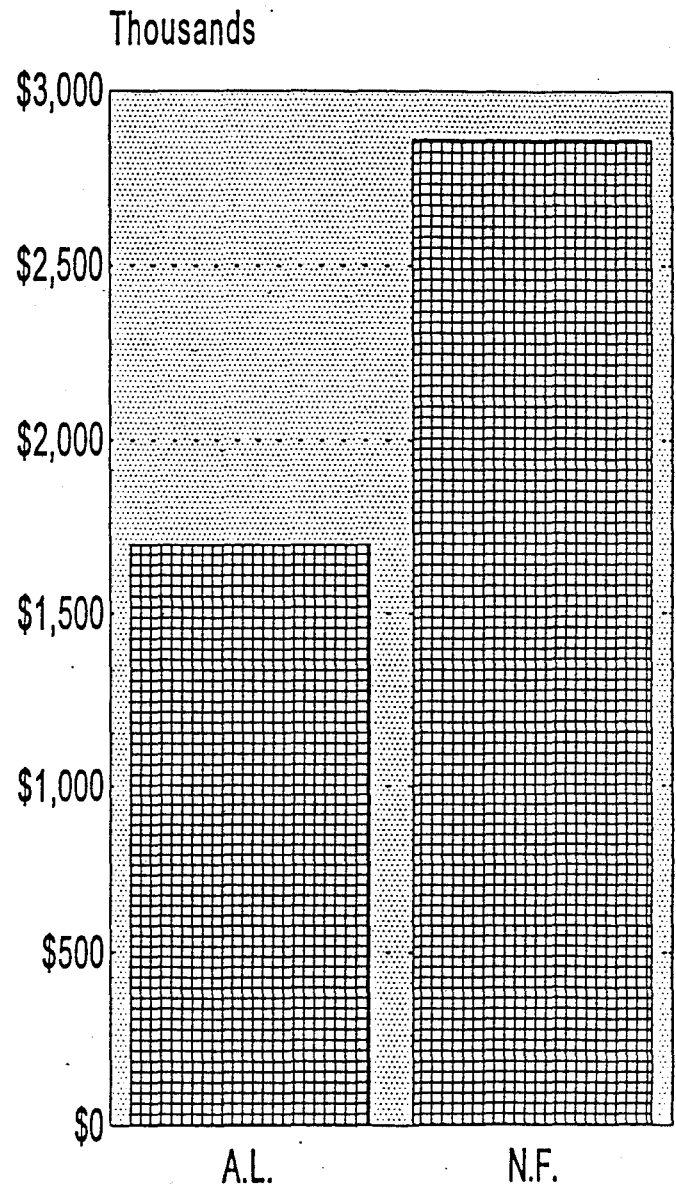
## Costs for 98 Individuals

\$500,000 in General Fund plus the Federal match of \$1,194,915 would give SRS a total of \$1,694,915 to serve 98 elderly Montanans per biennium under an assisted living program.

Currently, a number of elderly who could benefit from assisted living are being served in nursing facilities at a cost of \$29,200/year. The assisted living program would allow us to serve these Montanans at a cost of \$17,338/year.

The graph compares assisted living costs to nursing facility costs for 98 elderly.

Note: Client contribution has not been subtracted from these costs.



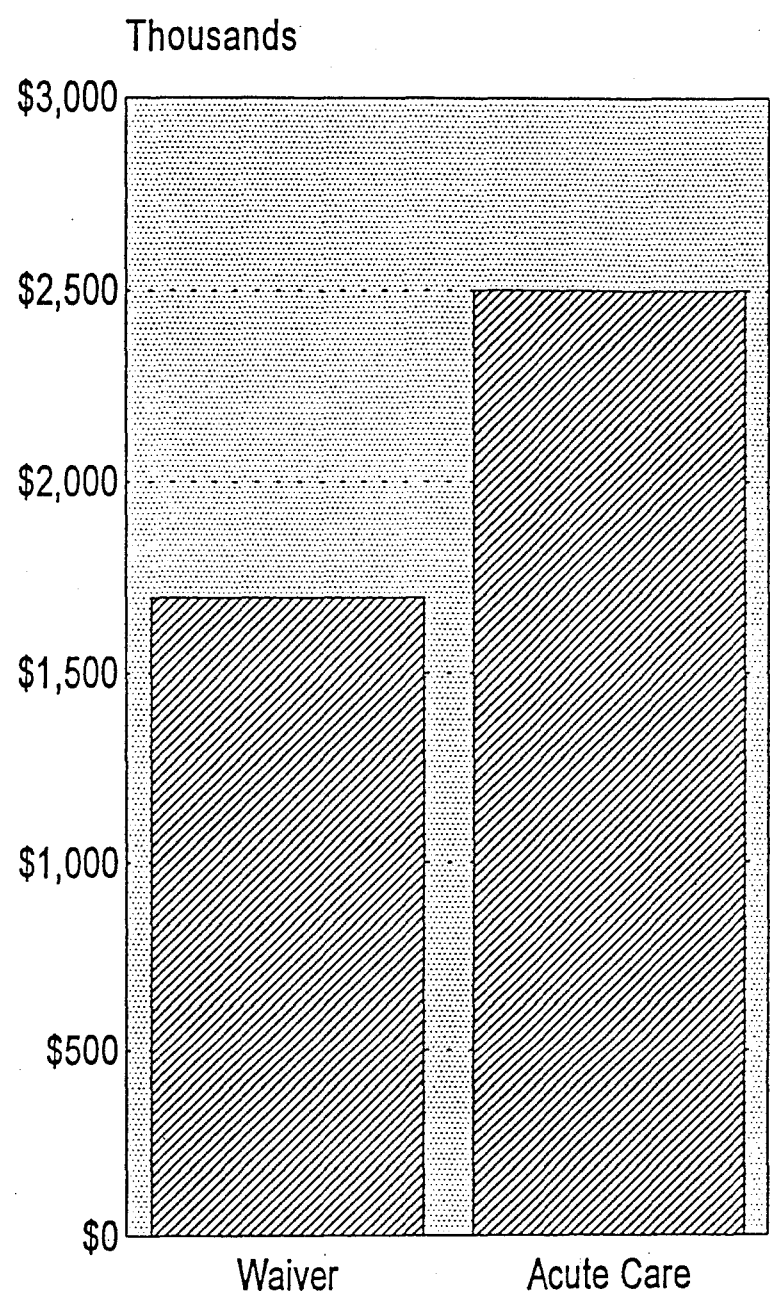
A.L. = Assisted Living; N.F. = Nursing Facility

# Waiver for Persons with Traumatic Brain Injury

\$500,000 in General Fund plus the Federal match of \$1,194,915 would give SRS a total of \$1,694,915 and the opportunity to serve 20 Montanans with a Traumatic Brain Injury, per biennium, at \$84,900/year under a Home and Community Services Waiver. The money allocated for such a waiver would stay in Montana.

Currently, many persons with TBI are being served in out-of-state facilities at an average rate of \$116,957/year. This amount is for approximately three months of acute in-patient rehab and does not include any other services the individual would require once discharged from the rehab facility. If we assume that a subsequent 4-month placement in a nursing facility is necessary, the total would equal \$125,017/ind/year (\$116,957+\$8,060).

For twenty individuals the cost would total \$2,500,340 (presumed to go to out-of-state providers).



**ASSISTED LIVING**  
**QUESTIONS/RESPONSES**

SENATE FINANCE AND CLAIMS  
EXHIBIT NO. 6  
DATE 12/13/93  
BILL NO. SB50

***Why not offer Assisted Living (A.L.) in other settings, such as group homes, foster homes, or personal care facilities?***

*We intend to offer A.L. as a waiver service to initially contain costs and control the number of individuals served. We could also offer assisted living in other settings under the waiver. As a matter of fact, we already offer A.L. under our current waiver in group homes and as supported living in individual apartments. The decision to include other A.L. models as a waiver service will be made by the SAIL Council before we submit the waiver application.*

*Regarding personal care facilities: because we are offering A.L. as a waiver service, individuals will have to meet nursing facility level of care. By statute, individuals who require a certain level of care cannot reside in personal care facilities.*

*We do intend to investigate reimbursing personal care facilities as providers of personal care services.*

***Then why do you need a licensing category and standards for A.L. Facilities? Why not just change the personal care facility license?***

*A.L. is not just about providing customized care. The philosophy behind assisted living is the provision of services in a home-like setting which offers privacy. This means separate units with individual bathrooms and kitchens, doors which can be locked, and a choice of services.*

*We do anticipate that a number of existing personal care facilities and even nursing homes will remodel their facility or a portion of their facility to meet the licensing requirements for an A.L. Facility.*

***How will you guarantee the health and safety of A.L.F. residents?***

***Health and safety standards will be spelled out in the licensing rules as will other quality control measures. We will work closely with DHES, Aging Services, consumers, the Ombudsman and others to insure that adequate standards are set forth in the rules.***

***Why aren't you licensing A.L.F.'s as health care facilities?***

***Health care facilities are subject to the medical model which has a deficit orientation in which residents have a "sick role" and must be "treated" by a staff of "experts". The impetus behind assisted living is the social model. In this model the resident has capabilities, the first of which is the capability to define his/her own needs and to select services to meet those needs. The focus is on the individual's skills, abilities and the contribution they and their families can make to their care. The person is not "treated" and the "experts" are not in charge - the resident is.***

***We believe that this social model will better fit outside of the health-care-facilities arena.***

Amendments to Senate Bill No. 50  
First Reading Copy

Requested by Sen. Waterman  
For the Committee on Finance and Claims

Prepared by David S. Niss  
December 11, 1993

SENATE FINANCE AND CLAIMS

SENATE NO. 7

DATE 12/13/93

BILL NO. SB50

1. Title, line 13.

Following: "50-51-102,"

Insert: "50-51-107,"

2. Page 2, line 4.

Following: "services."

Insert: "The rules must also provide for measures to ensure the  
privacy of facility residents and the dignity of residents'  
social life."

3. Page 29, line 15.

Following: "41-3-1142,"

Insert: "assisted living facilities as defined in 50-51-102,"

4. Page 39, line 23.

Following: "41-3-1142,"

Insert: "assisted living facilities as defined in 50-51-102,"

5. Page 47, line 11.

Following: "41-3-1142;"

Insert: "assisted living facilities as defined in 50-51-102;"

6. Page 52, line 9.

Following: "41-3-1142;"

Insert: "assisted living facilities as defined in 50-51-102;"

7. Page 56.

Following: line 2

Insert: "Section 14. Section 50-51-107, MCA, is amended to read:

"50-51-107. Provision of nursing services or personal-care  
services by the facility prohibited. (1) Hotels, motels,  
boardinghouses, roominghouses, or similar accommodations, not  
including assisted living facilities, may not provide

professional nursing services or personal-care services. A resident of a hotel, motel, boardinghouse, roominghouse, or similar accommodation may have personal-care, medical, or nursing-related services provided for him in such facility by a third-party provider.

(2) Whenever a complaint is filed with the department that a person in need of professional nursing services is residing in a roominghouse or other similar accommodation not licensed to provide such service, the department shall investigate and may require appropriate care or placement of such person if it is found that professional nursing services are needed."

{Internal References to 50-51-107:  
x50-51-106}

Renumber: subsequent sections

8. Page 61, line 13.  
Strike: "18"  
Insert: "19"

9. Page 61, line 15.  
Strike: "17"  
Insert: "18"

DATE 12/13/93SENATE COMMITTEE ON Finance & ClaimsBILLS BEING HEARD TODAY: STR 2 SB 50HB 7 HB 21 HB 33 HB 34

&lt; ■ &gt;

PLEASE PRINT

&lt; ■ &gt;

Check One

Name	Representing	Bill No.	Support	Oppose
<i>Helene Edwards</i>	<i>Dillon Medical Supply</i>	<i>33/34</i>		
<i>Condace Butler</i>	<i>+ BIG SKY AMES</i>	<i>33/34</i>	<input checked="" type="checkbox"/>	
<i>Jim Twitler</i>	<i>MENTAL HEALTH ASSO C OF MONTANA</i>	<i>4B7</i>	<input checked="" type="checkbox"/>	
<i>Alvin Byrns</i>	<i>MT Chamber</i>	<i>SB 50</i>	<input checked="" type="checkbox"/>	
<i>J. Shontz</i>	<i>QARP</i>	<i>33/34</i>		
<i>Tanya Asl</i>	<i>NASW</i>	<i>33/34</i>		
<i>Donna Hale</i>	<i>Blue Cross Blue Shield</i>	<i>HB 33</i>	<input checked="" type="checkbox"/>	
<i>Connie Griffith</i>	<i>Mental Health Private Provider's Coalition</i>	<i>HB 33/34</i>		
<i>Charles Bongz</i>	<i>Dof Admin</i>	<i>HB 21</i>	<input checked="" type="checkbox"/>	
<i>Kathy McGowan</i>	<i>M4A</i>	<i>SB 50</i>	<input checked="" type="checkbox"/>	
	<i>mcmhc</i>	<i>HB 33</i>	<input checked="" type="checkbox"/>	

## VISITOR REGISTER

PLEASE LEAVE PREPARED STATEMENT WITH COMMITTEE SECRETARY