



# BEHAVIORAL HEALTH SYSTEM FOR FUTURE GENERATIONS RECOMMENDATION #17: REDESIGN RATES TO IMPROVE IN-STATE YOUTH RESIDENTIAL SERVICES

## Recommendation Overview:

Montana, like many states, faces significant challenges due to the lack of in-state therapeutic residential services that meet the needs of its youth, resulting in out-of-state Psychiatric Residential Treatment Facility and Therapeutic Group Home placements. **Implementing an acuity-based rate model will address this challenge by providing high-quality, in-state therapeutic residential services for youth that better align with their behavioral health needs.** This model will establish levels or tiers of services, increasing as a person’s level of support increases, ensuring that the resources provided match their needs. **By aligning the level of need with the level offered, providers will be better prepared to serve people who require additional support. This will also better support smaller settings such as four-bed models, which will provide more tailored support and staffing for youth with intensive needs than that is currently available in higher bed capacity settings.**

## Intended Impact:

This recommendation proposes providing more high-quality, in-state therapeutic residential services for Montana youth. This reimbursement model will allow smaller facilities for youth with higher intensity to be reimbursed for the necessary staffing and resources. Example performance measures for this recommendation may include:

- Decreased out-of-state placements.
- Decreased lengths of stay.

## Governor’s Budget Amounts:





Funding by Year <sup>1</sup>		Funding Sources <sup>2</sup>	
SFY26	SFY27	State Special Revenue	Federal Funds
\$0	\$150K	\$75K	\$75K

This recommendation includes engaging an actuary to design and implement the rate redesign. The BHSFG funding request will support engaging the actuary. Long-term sustainability funding is needed for the additional cost of the updated tiered rate structure based on the actuary’s work.<sup>3</sup> This assumes federal Medicaid matching funds that will require submitting a state plan amendment (SPA) to CMS.



**Implementation Considerations:**

This Phase 1 foundational recommendation establishes the necessary infrastructure for subsequent recommendations to succeed and/or is critical to strengthening and sustaining system operations.<sup>4</sup> It is designated to receive funding in SFY27 in the Governor’s Budget.

Project Requirements	Project Needs
<p><b>Staffing</b></p> 	<ul style="list-style-type: none"> <li>• Assign department staff to solicit feedback from providers and stakeholders to ensure that resources and support align with needs.</li> <li>• Assign department staff with knowledge of, or training in, the risk-adjusted rate-setting process to support its implementation.</li> </ul>
<p><b>System / Infrastructure</b></p> 	<ul style="list-style-type: none"> <li>• Procure an actuary.</li> <li>• Develop criteria focused on acuity and level of support.</li> <li>• Incorporate acuity-based criteria into the assessment tool.</li> <li>• Revise the Medicaid Management Information System service codes and modifiers.</li> </ul>
<p><b>Legislative / Regulatory</b></p> 	<ul style="list-style-type: none"> <li>• Establish and update operating policies and the provider manual.</li> <li>• Revise the Medicaid Management Information System and Administrative Rules of Montana (ARMs).</li> <li>• Submit a SPA to CMS.</li> </ul>
<p><b>Finance / Sustainability</b></p> 	<ul style="list-style-type: none"> <li>• Establish updated rates and an updated Medicaid fee schedule to enable long-term sustainability.</li> </ul>

<sup>1</sup> In November 2024, Governor Gianforte authorized \$100M for SFY26 and SFY27 to implement 10 recommendations identified by the BHSFG Commission. The cost estimates for this recommendation in the BHSFG final report may vary due to the timing of projected expenditures and additional adjustments.

<sup>2</sup> Federal match is projected to cover part of ongoing costs but is not expected to begin immediately.

<sup>3</sup> The long-term recurring program costs are assumed to be eligible for federal matching.

<sup>4</sup> The BHSFG recommendations included in the Governor’s budget are all eight Phase 1 recommendations and two Phase 2 recommendations. Phase 2 BHSFG Commissioner Identified Focus Area Recommendations are those the Commission identified as a leading focus area that may be impacted by the completion of a foundational recommendation and/or are not foundational in nature.

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