



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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference	FY 2030 Difference	FY 2031 Difference
<b>Expenditures:</b>						
General Fund						
State Special Revenue	\$75,000	\$1,247,516	\$2,495,032	\$2,495,032	\$2,532,458	\$2,570,445
Federal Special Revenue	\$75,000	\$2,003,764	\$4,007,528	\$4,007,528	\$4,067,641	\$4,128,655
Other						
<b>Revenue:</b>						
General Fund						
State Special Revenue						
Federal Special Revenue	\$75,000	\$2,003,764	\$4,007,528	\$4,007,528	\$4,067,641	\$4,128,655
Other						
<b>Net Impact - General Fund Balance:</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Description of fiscal impact:**

Montana 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 (PRTF) and therapeutic group home (TGH) placements. This recommendation will evaluate the current reimbursement model and establish levels or tiers of services to better align resources to needs. There will be costs associated with evaluating, designing, and implementing the new reimbursement model and costs associated with higher Medicaid reimbursement for youth with higher acuity.

**FISCAL ANALYSIS**

**Assumptions:**

1. The department will contract with a vendor to support and implement the rate redesign. The department assumes the costs of this work will be \$150,000 in FY 2026. These costs are eligible to receive Medicaid Administrative Federal Medical Assistance Percentage (FMAP) of 50% state funds and 50% federal funds.
2. The department anticipates Centers for Medicare and Medicaid Services (CMS) approval of the new rate methodology in late FY 2027, with partial implementation



(50%) planned to occur in FY 2027 completing in FY 2028, the total annual projected program cost increase of \$6,502,560 is assumed to occur that same year (FY 2028). This increase is driven by higher reimbursement rates for higher-acuity clients, estimated to comprise approximately 25% of youth utilizing residential services. This estimate is based on a sample-tiered model, with annual assumptions about the number of youths served, projected reimbursement rates of tiered levels (based on acuity), and the number of TGH beds in Montana to support the varying clinical needs of in-state youth.

3. With partial implementation in FY 2027, this increase will be eligible for Medicaid Standard FMAP, with 38.37% state funding and 61.63% federal funding, resulting in a state share of \$1,247,516 ( $\$3,251,280 \times .3837$ ) and federal funding of \$2,003,764 ( $\$3,251,280 \times .6163$ ).
4. The resulting total program cost increase is \$6,502,560 in FY 2028. The increase in benefits will be eligible for Medicaid Standard FMAP (38.37% state-funded and 61.63% federally funded in FY 2029). This results in a state share of \$2,495,032 ( $\$6,502,560 \times .3837$ ) and federal funding of \$4,007,528 ( $\$6,502,560 \times .6163$ ).

**Technical Notes:**

1. The department assumes that all state funds required for implementation and recurring costs will be allocated from the Behavioral Health System for Future Generations (BHSFG) state special revenue fund.
2. Any delay in procurement for contractors may push projected costs into future fiscal years.
3. Any delay in CMS approval of the new payment methodology may delay increase in benefit expenditures.
4. Projected expenditures for FY 2030 and FY 2031 assume a 1.5% inflationary factor for state and federal funds.