



SUPPLEMENTAL PAYMENTS

WHAT THEY ARE AND HOW MONTANA HOSPITALS USE THEM

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SUPPLEMENTAL PAYMENTS

MEDICAID HOSPITAL SUPPLEMENTAL PAYMENTS are designed to help offset the lower-than-cost Medicaid reimbursement rates and support hospitals in providing care to low-income and uninsured Montanans, as required by federal and state law. Supplemental payments are funded entirely by a tax on hospitals (the Hospital Utilization Fee, or HUF) and the federal government: approximately 10% hospital tax and 90% federal funds for services delivered to expansion population; approximately 35% hospital tax and 65% federal funds on services delivered to traditional Medicaid population. **No state general fund dollars are used for this purpose.**

In 2019, Montana’s largest hospitals provided care to Medicaid patients at a cost of \$520,251,404, for which they were paid \$516,924,783. Supplemental payments funded 52% of this care, totaling \$274,777,415.

SUPPLEMENTAL PAYMENTS:

ENSURE VIABILITY OF MONTANA’S HEALTHCARE SYSTEM.

No business can survive when they recoup less than 50% of their costs. Supplemental payments are designed to bring the rates the State pays for Medicaid patients closer to the cost of care, protecting the viability of our state’s healthcare infrastructure without encumbering the State’s general fund.

ENHANCE AFFORDABILITY.

When the Medicaid program pays its fair share, it relieves the financial pressure on hospitals to cover costs via other insurance plans or payers. As a result, many hospitals have avoided or reduced price increases for other patient plans over the past five years.

PROTECT AND EXPAND ACCESS TO CARE.

Medicaid supplemental payments allow hospitals to offer services that their communities need, and invest in efforts to improve quality, upgrade technology and develop their workforce.

ADDRESS COMMUNITY HEALTH NEEDS.

Medicaid supplemental payments have made possible increased investments in addressing the state’s most pressing health needs, including mental health, suicide, substance abuse and chronic disease.

RANK : ALL HOSPITALS	TOP USES OF SUPPLEMENTAL PAYMENTS (2019-20) RANKED IN ORDER OF UTILIZATION	RANK: PPS (LARGE) HOSPITALS	RANK: CAH (SMALL) HOSPITALS
1	Subsidize healthcare services that operate at a loss	1	1
2	Increase wages/compensation for frontline staff	8	2
3	Expand mental/behavioral health services	2	3
4	Upgrade health IT infrastructure	5	5 (TIE)
5	Fund workforce development/health professions education	3	9
6	Increase quality improvement efforts	9	7
7	Purchase medical devices/equipment	--	4
8	Bring cash reserves to industry standard	7	5 (TIE)
9	Increase outreach and education on community health needs	4	--
10	Offset costs associated with COVID-19	10	10
--	Innovate care models/care delivery	6	--
--	Pay off/pay down loans	--	8

Sources: Montana Hospital Association survey conducted November 2020; 30 respondents including 9 Prospective Payment System (PPS) Hospitals and 21 Critical Access Hospitals. American Hospital Association Annual Survey, 2019. Medicaid hospital payment data from the Montana Department of Public Health and Human Services, 2020.

SUPPLEMENTAL PAYMENTS ENSURE THE VIABILITY OF MONTANA'S HEALTHCARE SYSTEM.

96% OF MHA RESPONDENTS REPORT SUPPLEMENTAL PAYMENTS

ASSIST IN SUBSIDIZING HEALTHCARE SERVICES THAT OPERATE AT A LOSS.

"Our inpatient psychiatric unit and complementary behavioral health outpatient services are essential to addressing the region's suicide and mental health epidemic, but they lose money every year."

— **LOGAN HEALTH (FORMERLY KALISPELL REGIONAL HEALTHCARE), KALISPELL**

"We have a number of service lines that operate at a loss, but, because the community would not have access to those services without us, we continue to provide those services lines. These service lines include: inpatient medical and surgical care, obstetrics (we serve the greater northeast Montana region as most other facilities in our area do not provide obstetrical services), chemotherapy, audiology services, emergency medical care, physical, occupational, cardiac and respiratory rehabilitation services, and ambulance services."

— **FRANCES MAHON DEACONESS HOSPITAL, GLASGOW**

"We have high utilization by uninsured and/or Medicaid patients, [and the expenses of their care] are not covered by their payer sources."

— **BIG HORN HOSPITAL, HARDIN**

"[Supplemental payments support] regional outreach clinics, a sexual assault nurse examiner, pediatric specialty clinics, and medication assistance program."

— **BILLINGS CLINIC**

"Keeps areas like behavioral health operating."

— **LIVINGSTON HEALTHCARE**

"Supplemental payment funds assist in offsetting losses in our three hospital-owned clinics. Also the payments assist in offsetting the losses in the emergency room and O/B and delivery services."

— **NORTH VALLEY HOSPITAL, WHITEFISH**

"The supplemental payments have been the only way we have been able to cover payroll during slow utilization. We [also] have been able to subsidize our Rural Health Clinic, which traditionally operated at a loss."

— **NORTHERN ROCKIES MEDICAL CENTER, CUT BANK**

"Supplemental funds help offset the operating losses in our ER, Labor/Delivery/Recovery/Postpartum, dialysis and cancer center—all much needed services in our area."

— **NORTHERN MONTANA HOSPITAL, HAVRE**

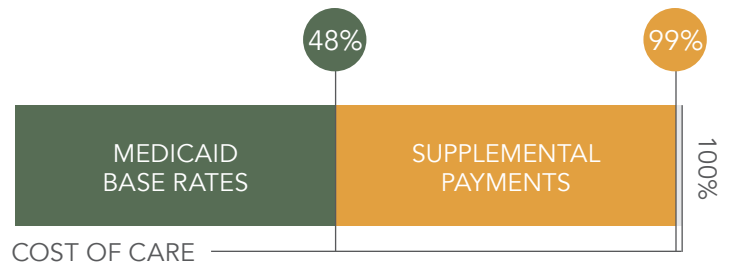
"Makes possible diabetes and nutrition services, primary care and obstetrics."

— **CABINET PEAKS MEDICAL CENTER, LIBBY**

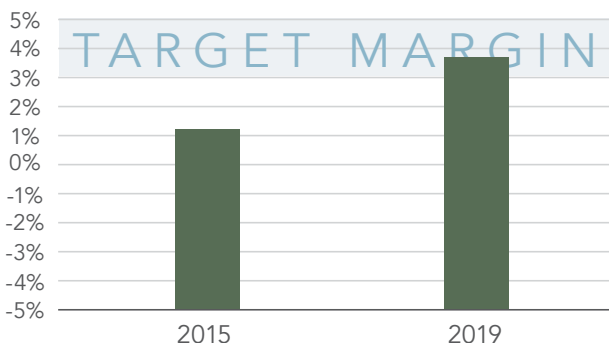
"Helps keep the ambulance service going, and helps keep the maternity services running."

— **NORTHEAST MONTANA HEALTH SERVICES, WOLF POINT**

ON AVERAGE, MEDICAID BASE RATES COVER ONLY 48% OF THE **COST** OF CARE PROVIDED BY MONTANA HOSPITALS. WITH SUPPLEMENTAL PAYMENTS, MEDICAID NOW COVERS APPROXIMATELY 99% OF THE **COST** OF CARE PROVIDED.



MEDIAN HOSPITAL MARGIN IN MONTANA 2015 (PRE-MEDICAID EXPANSION) VS. 2019



PRIOR TO RECEIVING SUPPLEMENTAL MEDICAID PAYMENTS, THE MEDIAN OPERATING MARGIN FOR SURVEY RESPONDENTS WAS 1.01%. WITH SUPPLEMENTAL PAYMENTS, THE MEDIAN OPERATING MARGIN HAS IMPROVED TO 3.81%.

A hospital operating margin is considered sustainable when it is between +3% to +5%.

100% OF MHA RESPONDENTS REPORT SUPPLEMENTAL PAYMENTS

HELPED OFFSET INCREASED COSTS RELATED TO COVID-19.

"We have had to make extensive physical renovations to our facilities to meet the CDC guidelines for COVID-19."

— **LOGAN HEALTH (FORMERLY KALISPELL REGIONAL HEALTHCARE), KALISPELL**

"Cash reserves were very limited at the beginning of the pandemic and the supplemental payments allowed the hospital to have cash on hand to meet operational demand."

— **NORTHEAST MONTANA HEALTH SERVICES, WOLF POINT**

"NVH incurred over \$1.8 million of COVID-related expenses in the first six months of the pandemic."

— **NORTH VALLEY HOSPITAL, WHITEFISH**

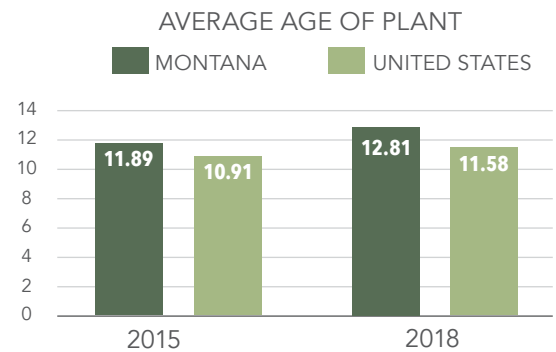
82% OF MHA RESPONDENTS REPORT SUPPLEMENTAL PAYMENTS HELP OFFSET COSTS RELATED

TO A MAJOR COST DRIVER: TRAVELING NURSES AND TEMPORARY STAFFING SERVICES.

"Labor is the largest cost of any healthcare organization. Our hospital, like most hospitals nationwide, are facing a decades-long workforce shortage. We are forced to fill positions with temporary or "traveling" nurses, whose hourly rates are typically 50% higher than staffed positions. This workforce shortage was further exacerbated by COVID-19, with hourly rates for traveling nurses doubling during the pandemic." — **DAHL MEMORIAL HEALTHCARE, EKALAKA**

71% OF MONTANA HOSPITALS ARE USING SUPPLEMENTAL PAYMENTS TO CATCH UP ON YEARS OF DEFERRED MAINTENANCE OR BADLY NEEDED UPGRADES.

Montana hospital facilities are aging at a more rapid pace than hospitals nationwide, threatening their access to financing. "Age of plant" is a measure of depreciation that reflects the level of investment in the organizations' physical plant or facilities. Most credit markets require an age of plant of 12.00 or lower to access capital.



SUPPLEMENTAL PAYMENTS ENHANCE AFFORDABILITY.

SUPPLEMENTAL PAYMENTS HELP AVOID PRICE INCREASES

OR LIMIT THEM TO BELOW THE NATIONAL AVERAGE.

"Medicaid expansion, including associated bed tax revenues...enables us to cost shift less to commercially insured groups, which tend to struggle the most with affordability due to high deductibles and co-pays."

— **BENEFIS HEALTH SYSTEM, GREAT FALLS**

"We have been able to mitigate and avoid price increases. We had zero price increase for FY2019, 2% for FY2018, and 3% for FY2017 and FY2020. Our rate increases would have been higher without the HUF payments."

— **CLARK FORK VALLEY HOSPITAL, PLAINS**

"Hospital Utilization Fee funds enable us to recoup more of the cost of caring for Medicaid patients, therefore reducing our Medicaid shortfall and the need to recoup these shortfalls from other payers. Billings Clinic has been able to avoid any systemwide rate increases for more than 5 years." — **BILLINGS CLINIC**

"For the past three years, [we] have not made any increases to our chargemaster, and have reduced pricing to our commercially insured patients through contract negotiations."

— **ST. VINCENT HEALTHCARE (BILLINGS), ST. JAMES HEALTHCARE (BUTTE) AND HOLY ROSARY HEALTHCARE (MILES CITY), SCL HEALTH MONTANA**

"[We were] able to minimize [our] rate increases as a result of the HUF payments. Rate increases averaged 3% compared to a rate of 6-7% if the HUF payments had not been received." — **NORTH VALLEY HOSPITAL, WHITEFISH**

SUPPLEMENTAL PAYMENTS PROTECT AND IMPROVE ACCESS TO HEALTHCARE SERVICES.

100% OF MHA RESPONDENTS REPORT SUPPLEMENTAL PAYMENTS WERE USED IN 2019 AND 2020 TO INNOVATE CARE MODELS AND CARE DELIVERY.

"We created a new health plan option for BHS employees, the 'Affordable + Plan.' It offers employees an on-site clinic with primary care with no deductibles or co-pays. It has proven to be a great benefit to our employees, lower paid employees in particular. Another purpose of this offering was to trial it before offering it to other groups to improve their affordability, such as teachers or any large employee group."

— BENEFIS HEALTH SYSTEM, GREAT FALLS

"[We completed a] conversion to a virtual delivery platform for Billings Clinic and our regional affiliates including licensing and equipment to provide virtual care."

— BILLINGS CLINIC

"We have worked with schools to create school-based clinics and expanded those in the fall of 2020 to help the schools with reopening in light of COVID-19 restrictions. [We also are providing] primary care services to Medicaid patients through CMS' Advance Payment Model pilot programs to increase access while reducing cost."

— LOGAN HEALTH (FORMERLY KALISPELL REGIONAL HEALTHCARE), KALISPELL

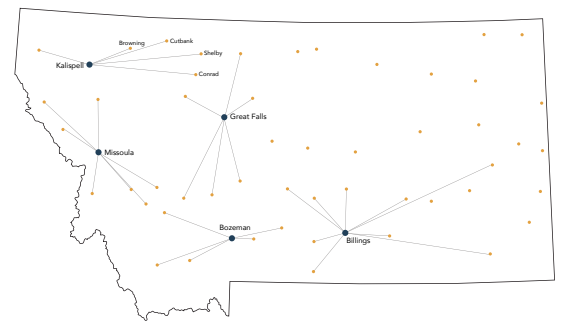
SUPPLEMENTAL PAYMENTS HAVE ALLOWED MONTANA'S LARGEST HOSPITALS TO INCREASE FINANCIAL AND/OR OPERATIONS SUPPORT TO CRITICAL ACCESS HOSPITALS IN THEIR REGION.

"We are working very closely with Shelby [Marias Medical Center], Cut Bank [Northern Rockies Medical Center], Conrad [Pondera Medical Center], and Browning [Indian Health Services] to provide clinical and IT support. Many of these communities don't have redundancies so when things fail, they can come to us for help."

— LOGAN HEALTH (FORMERLY KALISPELL REGIONAL HEALTHCARE), KALISPELL

"The Bozeman Health system operates one critical access hospital, Big Sky Medical Center. The health system has subsidized opening and operating this hospital to fill a need of the Big Sky Community. Bozeman Health has also developed relationships and networking with several critical access hospitals in our surrounding communities to help ensure healthcare access remains viable in those areas."

— BOZEMAN HEALTH



MORE THAN 90% OF MONTANA HOSPITALS ARE USING SUPPLEMENTAL PAYMENTS TO DEVELOP MONTANA'S HEALTHCARE WORKFORCE.

"To address the worsening shortage of physicians, Benefis is pursuing development of Montana's first medical school in partnership with a private, not-for-profit, long-established university, ensuring that the establishment of the school does not require additional state funding."

— BENEFIS HEALTH SYSTEM, GREAT FALLS

"Supplemental payments offset Graduate Medical Education activity expenses, and enable physician interns and residents to serve in Healthcare Professionals Shortage Areas within the region. We have expanded our nurse clinical rotations to allow Flathead Valley Community College to increase the number of students the graduate each year. These funds also allow for investments in developing other types of health professions (Medical Assistants, Medical Lab scientist, Emergency Medical Technicians, etc.)."

— LOGAN HEALTH (FORMERLY KALISPELL REGIONAL HEALTHCARE), KALISPELL

"We support the Montana Family Practice Residency along with Internal Medicine and Psychiatry residencies. We have developed a nurse residency and pharmacy program as well as a simulation lab. These programs are the final step for providers before they practice independently, and they help to both retain Montana talent and import new providers to our workforce."

— BILLINGS CLINIC

"We commit a significant amount of funding to continuing education of our clinical staff and for courses ending in certifications. We also pay for two-year RNs to obtain a bachelor's degree as this has been empirically tied to higher quality performance. We also provide loan repayment to physicians in order to improve our ability to recruit and retain needed professional staff."

— FRANCES MAHON DEACONESS HOSPITAL, GLASGOW

SUPPLEMENTAL PAYMENTS HELP ADDRESS MONTANANS' MOST PRESSING HEALTH NEEDS.

BEHAVIORAL HEALTH (INCLUDING MENTAL HEALTH, SUICIDE PREVENTION AND SUBSTANCE USE DISORDER) IS THE #1 CLINICAL INVESTMENT OF SURVEY RESPONDENTS.

"We incorporated a psychologist into our primary care clinic scope of services. This service line too operates at a loss, but is important to meeting the needs of our community." — **FRANCES MAHON DEACONESS HOSPITAL, GLASGOW**

"Our Community Health Needs Assessment shows that behavioral health is a critical need for our community. We are finally able to bring this important program to our community in 2020-21 and are using the supplemental payments to help subsidize." — **NORTHERN ROCKIES MEDICAL CENTER, CUT BANK**

"We purchased a TMS (Trans Magnetic Stimulation) machine to improve mental health in the community." — **NORTH VALLEY HOSPITAL, WHITEFISH**

"We expanded our behavioral health services to include school-based services and outpatient clinics in Butte and Missoula." — **SHODAIR CHILDREN'S HOSPITAL, HELENA**

"We created mental health rooms in the ER and expanded adolescent psychiatry." — **PROVIDENCE ST. PATRICK HOSPITAL, MISSOULA AND PROVIDENCE ST. JOSEPH MEDICAL CENTER, POLSON**

"We expanded mental health services through telehealth and on-site services." — **LIBERTY MEDICAL CENTER, CHESTER**

"Hired an additional social worker and psychiatrist." — **LIVINGSTON HEALTHCARE**

"We recently added a dedicated acute pain service, opened a substance abuse and addiction clinic, and created a psychiatric stabilization unit. We started a Psychiatry Residency in which we have invested \$2.8M. We spend \$200K per year providing Project ECHO (virtual education) to regional providers. We also sponsor MAPP-Net which provides access to child and adolescent psychiatrists statewide." — **BILLINGS CLINIC**

"We are in the process of adding Medication Assisted Therapy (MAT) services to help address substance abuse, an area of strategic focus and top priority from our Community Health Needs Assessment." — **CLARK FORK VALLEY HOSPITAL, PLAINS**

SUPPLEMENTAL PAYMENTS FUND A VARIETY OF LOCAL, COMMUNITY-LED HEALTH IMPROVEMENT INITIATIVES.

"These funds have helped advance efforts around behavior health, health lifestyles and injury and violence." — **BOZEMAN HEALTH**

"We support education and programs consistent with our Community Health Needs Assessment. For example, we fund a fresh fruits and vegetables program in our school district to promote healthy eating habits at a young age. We run promotional campaigns to encourage good nutritional habits and physical activity. We also have committed financial and people resources to a community coalition established to raise funds to replace the community swimming pool." — **FRANCES MAHON DEACONESS HOSPITAL, GLASGOW**

"Our emphasis has been on promoting mental health in the community. NVH has been working with the Nate Chute Foundation to improve mental health services in Flathead County and surrounding counties." — **NORTH VALLEY HOSPITAL, WHITEFISH**