

OFFICE OF THE GOVERNOR
STATE OF MONTANA

GREG GIANFORTE
GOVERNOR



KRISTEN JURAS
LT. GOVERNOR

June 12, 2025

The Honorable Brandon Ler
Speaker of the House
State Capitol
Helena, MT 59620

The Honorable Matt Regier
President of the Senate
State Capitol
Helena, MT 59620

Dear Speaker Ler and President Regier:

Over the last four years, we've worked together to deliver on our shared priority of ensuring Montanans have access to affordable, quality health care. I'm proud of the investments we've made to support Montana's health care professionals and increase reimbursements to protect patient access to critical services. While we've made great strides in supporting Montana's dedicated medical providers who serve patients across our state, we've been responsible with the tax dollars hardworking Montanans pay to fund state government.

While well intentioned, House Bill 585 allows a select group of Medicaid providers to receive near-guaranteed reimbursement rate increases inconsistent with most other Medicaid provider types. Specifically, House Bill 585 places physical, speech, and occupational therapy provider rates at 122% of the Medicare reimbursement rate, all while other essential providers, including optometrists, opticians, audiologists, psychologists, licensed clinical social workers, and licensed professional counselors, receive a reimbursement rate at approximately 85% of Medicare.

House Bill 585 also has the practical effect of limiting the ability of the Department of Public Health and Human Services (DPHHS) to responsibly manage the limited and restricted resources of the Medicaid program. In the attached letter, DPHHS, which is responsible for managing the state's Medicaid program, outlines its concerns with House Bill 585. According to the department, House Bill 585 will "limit the longstanding flexibility leveraged by DPHHS to effectively manage costs for Medicaid services" and "could put DPHHS's Medicaid budget at risk, causing supplemental status or the need to cut other critical services to remain as budget neutral as possible."

The fiscal impact of House Bill 585 is substantial. The bill will cost Montana taxpayers more than \$13 million over the next four years, with a price tag of nearly \$3 million in the first year and growing every year thereafter.

Our Montana Constitution requires us to balance our budget. In 2021 and 2023, I am proud that we worked together to deliver balanced budgets that were not only fiscally responsible, but also allowed us to seize the opportunity to let hardworking Montanans keep more of what they earn. The budget proposal I sent to the Legislature for the 2025 Legislative Session was fiscally conservative, keeping spending below inflation.

The budget and other bills with hefty price tags that the Legislature passed, however, are not fiscally responsible. Therefore, I will keenly review the budget and spending bills the Legislature passed, making some difficult decisions to protect taxpayers and their hard-earned resources. Hardworking Montanans expect us to be fiscally responsible.

Finally, I recognize increasing operating costs are impacting businesses in Montana, including our Medicaid providers. I look forward to working with DPHHS and stakeholders in the interim to continue examining Montana's Medicaid rates, including those impacted by House Bill 585.

Therefore, in accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto House Bill 585: "AN ACT DEFINING THE MEDICAID REIMBURSEMENT CONVERSION FACTOR FOR PHYSICAL THERAPIST, SPEECH-LANGUAGE PATHOLOGIST, AND OCCUPATIONAL THERAPIST SERVICES; REVISING DEFINITIONS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 53-6-124, MCA; AND PROVIDING AN EFFECTIVE DATE."

Sincerely,



Greg Gianforte
Governor

Enclosures

cc: Legislative Services Division
Christi Jacobsen, Secretary of State



May 13, 2025

Governor Greg Gianforte
Office of the Governor
1301 East 6th Avenue
Helena, MT 59601

Re: House Bill 585

Dear Governor Gianforte,

I write to share the Department of Public Health and Human Services's (DPHHS) concerns with House Bill (HB) 585, "Revise provider rate laws for physical therapists, speech-language pathologists, and occupational therapists", sponsored by Representative Ed Buttrey.

DPHHS understands the vital role physical therapists, speech-language pathologists, and occupational therapists play in providing services to Montanans. DPHHS also understands that increased operating costs are impacting many Montana businesses, including our valued Medicaid providers. However, this issue is not isolated to physical therapists, speech-language pathologists, and occupational therapists; it is a reality for many Medicaid providers. And it is an issue that your Administration and the Legislature have worked to address through Medicaid provider rate increases and other investments.

While HB 585 intends to increase Medicaid reimbursement rates for physical therapists, speech-language pathologists, and occupational therapists reimbursed under the Resource-Based Relative Value Scale (RBRVS) payment methodology, it does so while excluding many other essential providers treated similarly under the RBRVS methodology, including optometrists, opticians, audiologists, psychologists, licensed clinical social workers, and licensed professional counselors, whose reimbursement rates are also lower than Medicare. HB 585 would place the physical, speech, and occupational therapy provider rates at 122% of the Medicare reimbursement rate, while the other providers mentioned above will be at approximately 85% of Medicare.

DPHHS finds no reason that one non-physician Medicaid provider type should receive a statutorily authorized rate increase while other similarly situated non-physician providers reimbursed under the same methodology are left behind. DPHHS acknowledges that physicians receive statutorily authorized rate increases, however this does not validate the disparate treatment among non-physician Medicaid providers that HB 585 would create.

Further, DPHHS utilizes a consistent RBRVS rate setting process when implementing legislatively appropriated provider rate increases for non-physician providers reimbursed

under the RBRVS payment methodology. When rate increases are appropriated, DPHHS ensures that, in the aggregate, the RBRVS pricing factors are modified in a way to ensure projected expenditures will remain within our authority. While it may appear counterintuitive, this process sometimes involves decreasing the conversion factor to ensure budget targets are met. I want to emphasize that decreasing the conversion factor is not mutually exclusive from implementing a provider rate increase. When relative value units increase at a level beyond a legislatively appropriated increase, the conversion factor must be decreased to ensure program expenditures remain within appropriations. HB 585 would eliminate this important flexibility and could put DPHHS's Medicaid budget at risk, causing supplemental status or the need to cut other critical services to remain as budget neutral as possible.

HB 585 ultimately limits DPHHS's ability to adjust the conversion factor in a manner that enables us to responsibly manage the limited and restricted resources of the Medicaid Program. The Medicaid providers contemplated by HB 585 would receive near-guaranteed reimbursement rate increases in a manner inconsistent with most other Medicaid provider types. Despite several discussions with these providers and their representatives, DPHHS cannot justify the method used for this proposed rate increase and believes it establishes a high-risk, high-cost precedent. As demonstrated in our fiscal note, DPHHS estimates that implementation of HB 585 will increase Medicaid expenditures by \$9,600,294 in SFY 2026. Over \$2.9 million of these increased expenditures will be drawn from Montana's general fund.

DPHHS remains committed to ensuring Montanans served by our Medicaid Program have access to medically necessary health care services. However, DPHHS must also be a responsible steward of the taxpayer dollars that fuel the provision of these services. HB 585 would limit the longstanding flexibility leveraged by DPHHS to effectively manage costs for Medicaid services reimbursed under the RBRVS payment methodology. HB 585's elimination of this important flexibility, as well as its projected fiscal impact, its application to a limited set of non-physician Medicaid providers, and the lack of verified provider cost information to justify such significant and permanent rate increases, warrants its veto.

Sincerely,

/s/ Charles T. Brereton

Director