



May 12, 2026

Ryan Osmundson
Director
Governor's Office of Budget and Program Planning
PO Box 200802
Helena, MT 59620-0802

Director Osmundson,

In a March 17, 2026 communication to the Legislative Fiscal Division, you advised the Legislature that the Department of Public Health and Human Services (DPHHS) would consider several options for reducing expenses in SFY 2027 because of projected deficits of up to \$7 million in general fund authority, \$34.2 million in state special revenue authority, and \$146.3 million in federal revenue authority in SFY 2026.

After further analysis and careful consideration, DPHHS is formally notifying the Governor's Office of Budget and Program Planning of its recommendation to forego implementation of Medicaid provider rate adjustments (except those that are statutorily required) in SFY 2027. This action is necessary to satisfy the mitigation plan requirements outlined in 17-7-301, MCA. The estimated general fund impact of foregoing these adjustments is approximately \$10 million, which is sufficient to cover the projected general fund shortfall in SFY 2026.

In recent weeks, DPHHS has worked diligently to design a mitigation plan that does not cut existing provider reimbursement rates. I am pleased that under our proposed plan, current rates will remain unchanged, significantly diminishing the risk of destabilizing a fragile Medicaid system that we've successfully rebuilt and strengthened during Governor Gianforte's administration. Maintaining system stability was a top priority for my team and me as we weighed various mitigation options.

As you know, the 2025 Legislature made several decisions that ultimately placed DPHHS in this position:

- The Medicaid caseload projections adopted by the Legislature were insufficient to cover actual program expenditures, despite repeated warnings from the Department.

- A last-minute Senate floor amendment to HB 2 reduced our requested Healthcare Facilities Division budget by \$15 million in SFY 2026 and by an additional \$20 million in SFY 2027, significantly straining a budget the Department leverages to serve Montana's most vulnerable patients.

To prevent disruption to essential health services, I respectfully request that you concur with the recommendation to forego implementation of Medicaid provider rate adjustments (except those that are statutorily required) in SFY 2027.

DPHHS appreciates your consideration of our proposed mitigation plan and stands ready to provide additional information or analysis as needed.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Brereton". The signature is stylized with a large initial "C" and a prominent "B".

Charles T. Brereton
Director