

Fiscal Note Request HB0667, As Amended in House Committee
(continued)

3. The tax credits provided for in the bill are *refundable* credits; that is, taxpayers and eligible small businesses may receive a refund of any credit amount in excess of actual tax liability owed, or may receive a refund of the entire amount of the credit if no liability is owed. The refundable portion of tax credits constitutes taxable income in the year in which the refund is received. However, Section 13 of the bill amends MCA, 15-30-111 (adjusted gross income) to provide that the refundable portion of any tax credit received is not included in income for *state* tax purposes (it would still be included as income for *federal* income tax purposes). Therefore, there is no revenue impact to the state general fund from the refundable portion of the tax credit.
4. In order to effectively administer and audit the tax credit provided for in the bill, the Department of Revenue would need an addition 0.25 auditor position beginning in FY 2007. Additional administrative expense, detailed below, totals \$10,653 in FY 2007.

State Auditor's Office

5. State Auditor's Office (SAO) will administer the small business health insurance purchasing pool created in this bill. The small group monthly Premium Incentive Payment/Premium Assistance Payment program within the pool will be available to those small businesses that are currently new or uninsured. SAO will implement the eligibility and outreach programs for both the purchasing pool and refundable tax credits. The Department of Revenue (DOR) will administer the refunds related to the refundable health insurance tax credits available to small businesses that are currently insured.
6. It is estimated that there are approximately 47,000 Montanans that will be eligible for the purchasing pool and refundable tax credits for small businesses.
7. Each employer that proposes to claim premium incentive payments and premium assistance payments or tax credits under the provisions of this bill must be registered with the (SAO).
8. The (SAO) will need 3.0 FTE to implement this program. These FTE would consist of 1.00 Grade 15 Financial Specialist and 2.00 Grade 13 Financial Specialists. Related operating costs to implement this program will also be needed.
9. The SAO estimates programming costs to implement the purchasing pool and refundable tax credits for small businesses will be \$50,000 in FY 2006 and \$25,000 in FY 2007.
10. The SAO estimates marketing costs to implement the purchasing pool and refundable tax credits for small businesses will be \$50,000 in FY 2006 and \$25,000 in FY 2007.
11. Revenue for this program will come from the "Health and Medicaid Initiatives" State Special Revenue Account established in Initiative 149, an increase in the cigarette and other tobacco products taxes.
12. The revenue numbers used in planning for the program's implementation are consistent with the revenues contained in HJR2 and the revenue allocated to this program in the governor's budget.
13. Sixty percent of the available revenue appropriated through this legislation will be available for businesses without coverage. The premium payments will be split between the employer and employee share of the monthly premium. The premium incentive payment will be applied to the employer portion and the premium assistance payment will be applied to the employee portion.
14. Small businesses will be eligible for monthly premium payments on a first come, first served basis until available funding is allocated for the year. Businesses will apply to register for eligibility to receive the payments. To use the payments, the small business must join the pool, or a qualified small group association health plan. Funding available for small businesses eligible for association health plans will be capped to ensure that the pool attracts enough members to lower the price of coverage through economies of scale for administrative costs, negotiating for health coverage, and by preventing adverse selection.
15. The amount of the credit for firms in the purchasing pool will be set by the purchasing pool Governing Board. Ideally, the amount of the premium assistance payments to employees will vary by income and

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family size in order to cover as many Montanans as possible, but the amount of the employer incentive payment will be the same for all employers participating in the pool.

16. Small businesses with coverage (40 percent of credits) may apply for eligibility for a tax credit that is refundable to small business owners. After eligibility is determined, credits will be distributed on a first come first served basis. Coverage for this group will continue to be purchased in the existing market. Businesses would receive the credit when they file their tax returns.
17. The amount of the refundable tax credit will be \$100 or \$125 per employee per month (depending on average age of employees) for businesses with current coverage. Employers and employees will be responsible for a portion of the insurance premium. The program caps available tax credits plus SAO expenditures at \$11.5 million in FY 2007.
18. There will be an income limit in order to receive both the tax credit and the monthly premium payments. If any employee (NOT employer) of a small group earns over \$75,000/year, they will not be eligible for the tax credits/premium payments. This will apply to both uninsured and insured groups.
19. By rule, the State Auditor will establish the size of the employer groups that will be eligible to receive the tax credits and the monthly premium payments. However, the group size must not be less than two or more than nine.
20. Each small business (those within and outside the pool) will re-apply for the tax credits and monthly premium payments annually. Preference will be given to previously enrolled businesses.
21. The State Auditor's office and the Governor's office in conjunction other relevant state agencies will administer the tax credits and monthly premium payments and will oversee the purchasing pool governing board.
22. A public-private Governing Board created in section 3 will oversee several components of the purchasing pool, including selecting insurer(s) and designing plans for the pool. The composition of the 7-member board will include small business owners, consumers, insurance risk and actuarial experts, and representatives from the Governor and Auditor's office.
23. Board members must be compensated for expenses and mileage, but they may not receive a director's fee, per diem, or salary for their salary for their service. For the purposes of this fiscal note, it is assumed the board will meet six times the first year and four times a year after the first year at an estimated cost of \$250 per member or \$10,500 in FY 2006 and \$7,000 in FY 2007.

Department of Public Health and Human Services

24. State funding authority for this bill is from the Health and Medicaid Initiatives I-149 Special Revenue Account. The bill states under Section 10 (4) (c) the commissioner of insurance and the board shall provide to the department the funds or certification necessary to provide the state match for the Medicaid money to be expended on behalf of the section 1115 waiver premium incentive payment or premium assistance payment coverage groups and for the administration of the coverage groups by the department.

Enrollment:

25. This bill provides for the Department of Public Health and Human Services (DPHHS) to seek a federal waiver for Medicaid matching funds for premium assistance and premium incentive payments.
26. Eligibility for the waiver would be based upon the department's analysis of small business employees eligible for Medicaid under the waiver and approved by the board of the purchasing pool. The assumptions used for purposes of this fiscal note are the following groups would be eligible for coverage:
 - a. Small businesses with two to nine employees that do not currently offer employee health insurance, but begin to do so, either through the new small business purchasing pool or a "qualified association plan."

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- b. Employees who are not currently eligible for Medicaid or CHIP, but meet the following criteria:
 - i. Uninsured adults ages 19 through 64 who have children under the age of 21, and have incomes under 200 percent of the Federal Poverty Level (FPL); and
 - ii. Youths age 18 to 21 who have incomes under 200 percent of FPL.

Personnel and operating expenses

- 27. It is assumed that 1,200 new Medicaid cases would need eligibility determination, administration of the premium assistance and incentive payments and program management.
- 28. Based upon caseload estimates, DPHHS estimates that it will need to hire 2.00 FTE to administer the program and coordinate functions with other agency programs, the insurance commissioner's office, and the board of the purchasing pool. The department will hire 1.00 FTE to handle new eligibility workload and 1.00 FTE to administer the premium assistance and incentive payments with the insurance commissioner's office and the purchasing pool. Total personal services costs are estimated to be \$46,058 in FY 2006 and \$77,789 in FY 2007.
 - a. 1.00 FTE Eligibility Worker - \$24,995 in FY 2006 and \$35,900 in FY 2007 based on a grade 13 Eligibility Examiner working three-quarters of a year for FY 2006 and a full year for FY 2007.
 - b. 1.00 FTE Program officer - \$21,063 in FY 2006 and \$41,889 in FY 2007 based on a grade 15 Program Officer working one-half year for FY 2006 and a full year for FY 2007.
- 29. Estimated direct operational costs per FTE are \$2,996 for computer and office set up in FY 2006 only and \$1,600 for supplies, rent, and phone in both FY 2006 and FY 2007. Total direct operational costs are estimated to be \$9,192 in FY 2006 and \$3,200 in FY 2007.
- 30. Medicaid administrative costs are funded with 50 percent state funds and 50 percent federal funds.

System enhancements

- 31. System enhancements will be necessary to The Economic Assistance Management System (TEAMS) in FY 2006 for eligibility determination and management reporting. Additional changes will be necessary to incorporate the eligibility screening in the new eligibility system, Combined Health Information and Montana Eligibility System (CHIMES), which is planned and designed for implementation in late 2006.
- 32. System enhancements for TEAMS will be required to be functional by December 1, 2005. Funding is estimated to be \$140,000 in FY 2006.
- 33. System design and implementation for CHIMES is anticipated to be complete in late 2006. Funding will be necessary in both FY 2006 and FY 2007. It is estimated to be \$50,000 in FY 2006 and \$50,000 in FY 2007.
- 34. These costs are funded with 50 percent state funds and 50 percent federal funds.
- 35. System enhancements will be necessary to the Health Insurance Premium Payment System (HIPPS) in FY 2006 for tracking, monitoring and reporting premium assistance and incentive payments. These enhancements will be required to be functional by January 1, 2006. The estimated cost for enhancement to this system is \$60,000 in FY 2006. It is assumed that HIPPS may be eligible for the Medicaid systems enhancement for claims processing rate of funding of 90 percent federal funds and 10 percent state funds.

Benefit and funding

- 36. Estimates to determine the number of people and employers eligible for this program were based upon information obtained from the State Planning Grant report published in August 2004 and the US Census Bureau. The estimate is based upon the number of uninsured in Montana and the number of people working for employers with two to nine employees. Based upon this information we estimate

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- approximately 6,200 employees will be eligible to participate in this program. Of those approximately one-third of those eligible would be able to participate in the Medicaid program.
37. Based upon the available funding identified in I-149 and the 60 percent directed to the Small Business Health Insurance Pool, if all the funding was used for benefits, we estimate approximately 2,500 employees and 600 employers would benefit from this program in FY 2006, and approximately 3,200 employees and 800 employers would benefit from this program in FY 2007.
 38. The I-149 funds in support of this bill will be appropriated to the State Auditor's Insurance Commissioners Office. This is currently included in the State Auditor's HB2 budget in DPs 4000 and 401.
 39. Benefit expenditures associated with FY 2006 would not be eligible for a Medicaid funding match, as the waiver is not anticipated to be effective until July 1, 2006. Therefore it is assumed there will be no benefit costs associated with this bill to DPHHS in FY 2006.
 40. Assuming that the waiver is approved and effective July 1, 2006, some of the expenditures would be eligible for Medicaid matching funds. It is assumed that \$994,000 in expenditures associated with this bill would be eligible for Medicaid matching funds. For payment and Medicaid matching purposes, it is assumed that the authority associated with these benefit costs would be transferred to DPHHS.
 41. Federal Medical Assistance Participation (FMAP) rate for FY 2007 is 70.08 federal funds and 29.92 general funds. It is estimated that the federal matching dollars would be \$2,328,193.
 - a. $\$994,000 / .2992 = \$3,322,193 \times .7008 = \$2,328,193$
 42. It is assumed that the state portion of administrative funds will be appropriated for out of I-149 funds.

FISCAL IMPACT:
State Auditor's Office

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
FTE	3.00	3.00
 <u>Expenditures:</u>		
Personal Services	\$110,305	\$110,305
Operating Expenses	\$138,978	\$76,550
Benefits	<u>\$3,622,092</u>	<u>\$10,253,650</u>
TOTAL	\$3,871,375	\$10,440,505
 <u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$3,871,375	\$10,440,505
 <u>Revenues:</u>		
State Special Revenue (02)	4,000,000	11,500,000

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Department of Public Health and Human Services

FTE	1.25	2.00
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Expenditures:

Personal Services	\$46,058	\$77,789
Operating Expenses	\$259,192	\$53,200
Benefits	<u>\$0</u>	<u>\$3,322,193</u>
TOTAL	\$305,250	\$3,453,182

Funding of Expenditures:

State Special Revenue (02)	\$128,625	\$1,059,495
Federal Special Revenue (03)	<u>\$176,625</u>	<u>\$2,393,687</u>
TOTAL	\$305,250	\$3,453,182

Revenues:

Federal Special Revenue (03)	\$176,625	\$2,393,687
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Department of Revenue

FTE		0.25
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Expenditures:

Personal Services		\$2,895
Operating Expenses		\$1,958
Equipment		<u>\$5,800</u>
TOTAL		\$10,653

Funding of Expenditures:

General Fund (01)		\$10,653
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Total

FTE	4.25	5.25
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Expenditures:

Personal Services	\$156,363	\$190,989
Operating Expenses	\$398,170	\$137,508
Benefits	<u>\$3,622,092</u>	<u>\$13,575,843</u>
TOTAL	\$4,176,625	\$13,904,340

Funding of Expenditures:

General Fund (01)		\$10,653
State Special Revenue (02)	\$4,000,000	\$11,500,000
Federal Special Revenue (03)	<u>\$176,625</u>	<u>\$2,393,687</u>
TOTAL	\$6,176,625	\$13,904,340

Revenues:

Federal Special Revenue (03)	\$4,000,000	\$11,500,000
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Federal Special Revenue (03)	\$176,625	\$2,393,687
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Net Impact to Fund Balance (Revenue minus Funding of Expenditures):
General Fund (01) (\$10,653)

TECHNICAL NOTES:

Department of Public Health and Human Services

1. The effective date of this bill is July 1, 2005, and it is assumed that the program will be up and running by January 1, 2006 for payment of premiums. System changes and eligibility requirements would need to be developed and completed prior to this implementation date.
2. Outreach and enrollment for individuals that qualify under this program could have an impact on the existing Medicaid program in terms of additional children added to the Medicaid rolls. The State Planning Grant identifies approximately 22,000 uninsured children in Montana that are eligible for either Medicaid or CHIP. DPHHS believes that this program and outreach efforts will have an impact on Medicaid enrollment for children. We cannot estimate the number of children this would add to Medicaid. Prior experience is that CHIP outreach did increase Medicaid enrollment for children. The average cost is about \$160 per member month for a child.
3. The costs associated with this bill for DPHHS are predicated on the approval of the Section 1115 Medicaid waiver by the federal government.
4. The State Special Revenue has been included in the above amounts in the executive proposed budget for HB2.

Department of Revenue

5. New Section 2, subsection (12) says that "Tax credit" means a refundable tax credit as provided for in [section 8]." The tax credit itself is actually provided for in New Section 6 of the bill, and the refundable nature of the credit is provided for in New Section 7.