



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0458	Title:	Implement the Medicaid expansion
Primary Sponsor:	Noonan, Pat	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2014</u> <u>Difference</u>	<u>FY 2015</u> <u>Difference</u>	<u>FY 2016</u> <u>Difference</u>	<u>FY 2017</u> <u>Difference</u>
Expenditures:				
General Fund	\$2,234,462	\$3,471,323	\$5,231,912	\$25,558,301
Federal Special Revenue	\$215,353,429	\$555,761,602	\$669,953,012	\$734,671,467
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$215,353,429	\$555,761,602	\$669,953,012	\$734,671,467
Net Impact-General Fund Balance:	<u>(\$2,234,462)</u>	<u>(\$3,471,323)</u>	<u>(\$5,231,912)</u>	<u>(\$25,558,301)</u>

Description of fiscal impact: HB 458 expands Medicaid coverage to eligible Montanans in compliance with the federal Affordable Care Act (ACA).

FISCAL ANALYSIS

Assumptions:

1. This analysis does not include all financial impacts of the ACA. Only the following elements of the ACA are included:
 - A. Estimated number of newly eligible adults along with the number of currently eligible children that are anticipated to enroll in Medicaid due to expansion of Medicaid eligibility.
 - B. Estimated costs for newly eligible adults.
 - C. Estimated costs for new children enrollees that are currently eligible.
 - D. Approximate administrative costs of providing benefits for all newly eligible.
 - E. Estimated savings to the Montana Mental Health Services Plan.
2. There is a 5% income deduction specified in the ACA for eligibility creating an effective federal poverty level (FPL) eligibility of 138%.
3. The estimate of potential newly eligible Medicaid individuals under 138% FPL in Montana is sourced from the US Census Bureau Current Population Survey (CPS) composite average of 2008-2010.

4. This fiscal note assumes the national attention and additional access under the proposal will bring more children into the system. This is often referred to as the “welcome mat” effect.
5. Annual enrollment growth of 1.5% until FY 2014 is assumed to estimate the number of eligible individuals due to Medicaid expansion.
6. Take-up is the number of people in the eligible population (under 138% of FPL) who will enroll in Medicaid. This analysis assumes a take-up rate of 85% for uninsured adults and 70% for privately insured adults. Take up for welcome mat children is assumed at 10%.
7. It is assumed that the take up population will not enroll all at the same time but will enroll in Medicaid, (phase in), over time. The following phase-in of enrollment into Medicaid is assumed as follows: FY 2014 is 70%; FY 2015 is 85%; FY 2016 is 95%; and FY 2017 is 99%.
8. Medicaid non-disabled adults on average cost about \$650 per month, while Medicaid children cost about \$300 per month. This analysis assumes existing Medicaid coverage as the benchmark benefit package for newly eligible clients.
9. Overall costs for adults increase by approximately 8% annually, while costs for children increase by approximately 3% annually. These growth rates include annual enrollment growth of 1.5%.
10. The state share or Federal Medical Assistance Percentages (FMAP) for newly eligible adult clients under the reform bill, blended for state fiscal years is as follows: FY 2014 is 0%; FY 2015 is 0%; FY 2016 is 0%; and FY 2017 is 2.5%
11. Administrative costs are currently 6.2% of total benefits with the state share equal to 2.6% of total benefits. This note assumes that the administrative cost ratio would be lower for new expenditures due to economies of scale. Administrative costs for new expenses will equal 2.6% overall and 1.1% for the state share. Administrative costs in FY 2014 are estimated at a full-year amount, as start-up costs will be proportionally higher.
12. The Mental Health Services Plan (MHSP) program is currently funded with 100% state funds, but under the reform bill, most clients will be eligible for Medicaid and will receive the enhanced FMAP. The MHSP program currently expends about \$8 million per year on mental health services. This fiscal note assumes savings generated by the shift of the MHSP population to Medicaid.
13. The following table summarizes costs and savings assumed in this fiscal note.

Medicaid Expansion Under National Healthcare Reform				
Total Impacts (State & Federal combined)	FY 2014	FY 2015	FY 2016	FY 2017
Estimated number of new adult clients under proposal	44,702	55,096	62,501	66,110
Estimated welcome mat children	1,760	2,170	2,461	2,603
Estimated total medical benefit costs for newly eligible clients	\$ 206,787,770	\$ 541,934,634	\$ 653,616,131	\$ 735,030,781
Estimated medical benefit costs for welcome mat children	\$ 3,408,128	\$ 8,496,594	\$ 9,748,678	\$ 10,429,698
Estimated new administrative cost	\$ 10,900,608	\$ 14,272,484	\$ 17,200,811	\$ 19,329,522
Estimated State Savings Mental Health Services Plan Reduction	\$ (3,508,615)	\$ (5,470,786)	\$ (5,380,695)	\$ (4,560,232)
Total costs under proposal (State & Federal)	\$ 217,587,891	\$ 559,232,925	\$ 675,184,924	\$ 760,229,768
Federal Additional Costs Under Proposal				
	SFY 2014	SFY 2015	SFY 2016	SFY 2017
Federal share medical benefit costs for newly eligible clients	\$ 206,787,770	\$ 541,934,634	\$ 653,616,131	\$ 716,655,012
Federal share medical benefit costs for welcome mat children	\$ 2,236,273	\$ 5,539,720	\$ 6,349,314	\$ 6,792,862
Federal share of new administrative cost	\$ 6,329,385	\$ 8,287,249	\$ 9,987,567	\$ 11,223,593
Total Federal Costs under proposal (Federal only)	\$ 215,353,429	\$ 555,761,602	\$ 669,953,012	\$ 734,671,467
Montana Additional Costs and Savings Under Proposal				
	SFY 2014	SFY 2015	SFY 2016	SFY 2017
State share medical benefit costs for newly eligible clients	\$ -	\$ -	\$ -	\$ 18,375,770
State share medical benefit costs for welcome mat children	\$ 1,171,855	\$ 2,956,874	\$ 3,399,364	\$ 3,636,836
State share of new administrative cost	\$ 4,571,223	\$ 5,985,235	\$ 7,213,243	\$ 8,105,929
Mental Health Services Plan reduction in general fund	\$ (3,508,615)	\$ (5,470,786)	\$ (5,380,695)	\$ (4,560,232)
Montana Total Costs and Savings	\$ 2,234,462	\$ 3,471,323	\$ 5,231,912	\$ 25,558,301

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$10,900,608	\$14,272,484	\$17,200,811	\$19,329,522
Benefits	<u>\$206,687,283</u>	<u>\$544,960,442</u>	<u>\$657,984,114</u>	<u>\$740,900,247</u>
TOTAL Expenditures	<u><u>\$217,587,891</u></u>	<u><u>\$559,232,925</u></u>	<u><u>\$675,184,924</u></u>	<u><u>\$760,229,768</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,234,462	\$3,471,323	\$5,231,912	\$25,558,301
Federal Special Revenue (03)	<u>\$215,353,429</u>	<u>\$555,761,602</u>	<u>\$669,953,012</u>	<u>\$734,671,467</u>
TOTAL Funding of Exp.	<u><u>\$217,587,891</u></u>	<u><u>\$559,232,925</u></u>	<u><u>\$675,184,924</u></u>	<u><u>\$760,229,768</u></u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	<u>\$215,353,429</u>	<u>\$555,761,602</u>	<u>\$669,953,012</u>	<u>\$734,671,467</u>
TOTAL Revenues	<u><u>\$215,353,429</u></u>	<u><u>\$555,761,602</u></u>	<u><u>\$669,953,012</u></u>	<u><u>\$734,671,467</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,234,462)	(\$3,471,323)	(\$5,231,912)	(\$25,558,301)
Federal Special Revenue (03)	\$0	(\$0)	(\$0)	\$0

Long-Term Impacts:

1. HB 458 expands Medicaid coverage to eligible Montanans in compliance with the federal Affordable Care Act (ACA). It is estimated that over 68,000 individuals will enroll in Medicaid coverage by FY 2017 because of the new federal guidelines.

Sponsor's Initials

Date

Budget Director's Initials

Date