



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0393	Title:	Implement the Medicaid expansion
Primary Sponsor:	Kaufmann, Christine	Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input 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 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
Expenditures:				
General Fund	\$1,892,342	\$3,107,521	(\$9,198,294)	\$5,187,753
Federal Special Revenue	\$214,438,342	\$554,514,773	\$683,853,481	\$755,792,849
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$214,438,342	\$554,514,773	\$683,853,481	\$755,792,849
Net Impact-General Fund Balance:	<u>(\$1,892,342)</u>	<u>(\$3,107,521)</u>	<u>\$9,198,294</u>	<u>(\$5,187,753)</u>

Description of fiscal impact:

SB 393 expands Medicaid coverage to eligible Montanans in compliance with the federal Affordable Care Act (ACA).

FISCAL ANALYSIS

Assumptions:

1. The following components are included in this fiscal note:
 - 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.

- F. Estimated Children’s Health Insurance Program (CHIP) savings as Federal participation increases 23 percentage points from October 1, 2015 through September 30, 2019.
 - G. Estimated impact of children shifting from CHIP to Medicaid due to Modified Adjusted Gross Income (MAGI) disregard.
 - H. Estimated impact of former foster care children now eligible for Medicaid until 26 years of age.
 - I. Estimated savings to Pregnant Women and Breast & Cervical Cancer Medicaid programs.
2. There is a 5% income deduction specified in the ACA for eligibility creating an effective eligibility Federal Poverty Level (FPL) of 138%.
 3. The estimate of potential newly eligible Medicaid individuals under 138% FPL in Montana is cited from Census Bureau Current Population Survey (CPS) composite average of 2008-2010.
 4. This note assumes 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. An annual enrollment growth of 1.5% is assumed until FY 2014 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 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: 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: 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. Estimate 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; however, 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. Savings generated by this shift of the MHSP population to Medicaid are assumed in these estimated costs. (See Table under Assumption #18)
 13. Under the reform bill, the FMAP for CHIP is expected to increase by 23 percentage points from October 1, 2015 through September 30, 2019. CHIP savings is estimated using current CHIP budget amounts and an annual growth rate of 10% based on per-member per-month costs and population growth. (See Table under Assumption #18)
 14. The ACA makes changes in Medicaid income eligibility requirements for non-disabled clients under the age of 65. The ACA requires the use of modified adjusted gross income and prohibits asset tests and most income deductions. This change will move children currently eligible for CHIP that are between 133% and 138% of FPL to Medicaid. For Medicaid children age 0-5, Montana pays a larger share of the benefit cost

than Montana pays for CHIP children. The children age 0-5 between 133% and 138% of FPL will move from CHIP to Medicaid and the state will pay a larger share of their benefit costs.

15. Montana currently provides Medicaid coverage to foster children under age 19. The ACA includes mandatory coverage for former foster children to age 26 beginning on January 1, 2014. Current indications are this population will **not** receive the enhanced FMAP. If the newly eligible foster care children are served at current projected FMAP, estimate that Montana will pay \$4,534,360 for their benefits from FY 2014 to FY 2017. (See Table under Assumption #18)
16. Montana covers women with breast and cervical cancer up to 200% of poverty. Assume those individuals at or below 138% of poverty will be new Medicaid clients but will **not** receive the enhanced FMAP. Assume that half of the individuals above 138% of poverty will find insurance through the exchange and half will continue with their Medicaid benefit. Montana will experience savings from not paying for their benefits estimated at \$731,765 from FY 2014 to FY 2017. (See Table under Assumption #18)
17. Montana covers pregnant woman up to 150% of FPL. This analysis assumes these women under 138% of FPL will be in the newly-eligible population. Pregnant women in the expansion population will not receive the enhanced FMAP because they would have been eligible for Medicaid under pre-ACA eligibility rules. Those pregnant women over 138% of FPL will have the option of seeking insurance through the exchange. Assume that 8% of the Medicaid eligible pregnant women are over 138% FPL and half of them get insurance through the exchange. Montana will experience savings from not paying for their benefits estimated at \$4,465,011 from FY 2014 to FY 2017. (See Table under Assumption #18)
18. This assumption summarizes the preceding costs and savings. The net amounts are to be appropriated to the department for the purposes of implementing Medicaid provisions of Public Law 111-148 and Public Law 111-152.

**Medicaid Expansion Under National Healthcare Reform
Jan. 1, 2014 Effective Date. State Match Begins Jan. 1 2017.
CHIP Federal FMAP increases 23% Oct 1, 2013 to Sept. 30, 2019
Cover All Population Under 133% of Poverty**

Total Impacts (State & Federal costs 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 total new administrative cost under proposal	\$ 10,900,608	\$ 14,272,484	\$ 17,200,811	\$ 19,329,522
Estimated Other - Costs	\$ 766,704	\$ 2,763,649	\$ 19,011,201	\$ 27,143,465
Estimate Other - Savings	\$ (5,532,526)	\$ (9,845,066)	\$ (24,921,633)	\$ (30,952,864)
Total costs under proposal (State & Federal)	\$ 216,330,684	\$ 557,622,295	\$ 674,655,187	\$ 760,980,602
Federal Additional Costs & Savings 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
Federal Cost -Covering Foster Children to age 26	\$ 469,243	\$ 1,728,485	\$ 2,622,544	\$ 3,664,214
Federal Cost - CHIP Federal FMAP increase	\$ -	\$ -	\$ 14,651,080	\$ 21,104,136
Federal Savings - Pregnant Women Coverage	\$ (1,049,832)	\$ (2,254,670)	\$ (2,434,000)	\$ (2,630,389)
Federal Savings - CHIP to Medicaid under MAGI	\$ (51,568)	\$ (112,570)	\$ (333,491)	\$ (413,327)
Federal Savings - Breast and Cervical Cancer Coverage	\$ (282,930)	\$ (608,075)	\$ (605,664)	\$ (603,253)
Federal costs under proposal (Federal only)	\$ 214,438,342	\$ 554,514,773	\$ 683,853,481	\$ 755,792,849
Montana Additional Costs Under Proposal	SFY 2014	SFY 2015	SFY 2016	SFY 2017
MT share medical benefit costs for newly eligible clients	\$ -	\$ -	\$ -	\$ 18,375,770
MT share medical benefit costs for welcome mat children	\$ 1,171,855	\$ 2,956,874	\$ 3,399,364	\$ 3,636,836
MT share of new administrative cost	\$ 4,571,223	\$ 5,985,235	\$ 7,213,243	\$ 8,105,929
MT Cost - CHIP children shifting to Medicaid under MAGI	\$ 51,568	\$ 112,570	\$ 333,491	\$ 413,327
MT Cost - Covering Foster Children to age 26	\$ 245,893	\$ 922,594	\$ 1,404,086	\$ 1,961,787
MT Savings - CHIP Federal FMAP increase	\$ -	\$ -	\$ (14,651,080)	\$ (21,104,136)
MT Savings - MHSP program	\$ (3,508,615)	\$ (5,470,786)	\$ (5,380,695)	\$ (4,560,232)
MT Savings - Pregnant Women Coverage	\$ (550,134)	\$ (1,203,450)	\$ (1,303,141)	\$ (1,408,286)
MT Savings - Breast and Cervical Cancer Coverage	\$ (89,447)	\$ (195,515)	\$ (213,562)	\$ (233,241)
Montana costs under proposal (State only)	\$ 1,892,342	\$ 3,107,521	\$ (9,198,294)	\$ 5,187,753

	<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>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$10,900,608	\$14,272,484	\$17,200,811	\$19,329,522
Benefits	\$205,430,076	\$543,349,811	\$657,454,376	\$741,651,080
TOTAL Expenditures	\$216,330,684	\$557,622,295	\$674,655,187	\$760,980,602
<u>Funding of Expenditures:</u>				
General Fund (01)	\$1,892,342	\$3,107,521	(\$9,198,294)	\$5,187,753
Federal Special Revenue (03)	\$214,438,342	\$554,514,773	\$683,853,481	\$755,792,849
TOTAL Funding of Exp.	\$216,330,684	\$557,622,294	\$674,655,187	\$760,980,602
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$214,438,342	\$554,514,773	\$683,853,481	\$755,792,849
TOTAL Revenues	\$214,438,342	\$554,514,773	\$683,853,481	\$755,792,849
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$1,892,342)	(\$3,107,521)	\$9,198,294	(\$5,187,753)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. SB 393 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