



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	SB0395	Title:	Revise health care laws to expand Medicaid and improve health care delivery
Primary Sponsor:	Wanzenried, David E	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 checked="" 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	\$6,232,362	\$10,354,606	\$12,729,286	\$14,498,044
State Special Revenue	\$0	\$0	\$0	\$18,375,770
Federal Special Revenue	\$215,925,374	\$557,654,179	\$672,520,495	\$738,201,847
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$4,148,196	\$6,869,751	\$21,548,478	\$27,305,895
Federal Special Revenue	\$215,925,374	\$557,654,179	\$672,520,495	\$738,201,847
Net Impact-General Fund Balance:	<u><u>(\$6,232,362)</u></u>	<u><u>(\$10,354,606)</u></u>	<u><u>(\$12,729,286)</u></u>	<u><u>(\$14,498,044)</u></u>

Description of fiscal impact:

SB 395 expands Medicaid coverage to eligible Montanans in compliance with the federal Affordable Care Act (ACA).

FISCAL ANALYSIS

Assumptions:

1. The following components of the affordable care act 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 impact of children shifting from CHIP to Medicaid due to Modified Adjusted Gross Income (MAGI) disregard.
 - F. Estimated impact of former foster care children now eligible for Medicaid until 26 years of age
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 for Medicaid 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 for the implementation of the affordable care act would be lower for new expenditures due to economies of scale. Administrative costs for new affordable care act 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 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.
 13. 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 #19)
 14. 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. Assume any calculable savings generated by the shift of the MHSP population to Medicaid is deposited in a Medicaid expansion mitigation account. (See Table under Assumption #19)

15. 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. Assume any calculable savings generated by the shift of the MHSP population to Medicaid is deposited in a Medicaid expansion mitigation account. (See Table under Assumption #19)
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 any calculable savings from individuals above 138% of poverty having insurance through the exchange instead of Medicaid is deposited in a Medicaid expansion mitigation account. (See Table under Assumption #19)
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 any calculable savings from individuals above 138% of poverty having insurance through the exchange instead of Medicaid is deposited in a Medicaid expansion mitigation account. (See Table under Assumption #19)
18. Additional activities required under SB 395, include:
 - a. Section 4, Review of Medicaid and Health Care Delivery Systems – advisory committee – reports. A twelve member advisory committee that meets monthly and administration costs to coordinate and report committee activities will cost \$62,766 in FY 2014 and FY 2015, \$63,159 in FY 2016 and \$63,395 in FY 2017.
 - b. Section 8, Health care workforce database – sharing and use of data. Costs to establish a database of healthcare workforce information and costs to analyze and generate report from the database are \$45,000 in FY 2014 and \$20,000 each following year.
 - c. Section 10, Education and outreach on insurance coverage options. Contracted services for Education and Outreach on insurance coverage options is estimated to be \$218,928 in FY 2014, \$207,428 in FY 2015, \$210,572 in FY 2016 and \$212,464 in FY 2017.
 - d. Section 11 Management of Medicaid program. Medicaid wellness pilot project assumes approval by Centers for Medicare and Medicaid for a wellness pilot project. Costs for incentives to pilot project participants for wellness activities that improve recipient management of chronic disease and reimbursement to providers for providing wellness training and monitoring of pilot project participants are estimated to be \$19,400 in the first year and \$363,800 in the following years.
 - e. These costs are funded with approximately 42.3% general fund and 57.7% federal funds.
19. This assumption summarizes the following costs and savings. The net amounts to be appropriated to the department of public health and human services 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. 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	4,360,121	6,039,328
Estimate Other - Savings	(51,568)	(112,570)	(333,491)	(413,327)
Total costs under proposal (State & Federal)	\$ 221,811,643	\$ 567,354,791	\$ 684,592,249	\$ 770,416,002
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 Savings - CHIP to Medicaid under MAGI	(51,568)	(112,570)	(333,491)	(413,327)
Federal costs under proposal (Federal only)	\$ 215,771,104	\$ 557,377,518	\$ 672,242,065	\$ 737,922,354
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
Montana costs under proposal (State only)	\$ 6,040,539	\$ 9,977,273	\$ 12,350,184	\$ 32,493,648
Additional Costs Under Proposal	SFY 2014	SFY 2015	SFY 2016	SFY 2017
Healthcare Workforce Database	\$ 45,000	\$ 20,000	\$ 20,000	\$ 20,000
Education and Outreach on insurance coverage options	218,928	207,428	210,572	212,464
Avisory Board, Staffing and Reporting	62,766	62,766	63,159	63,395
Medicaid Wellness Pilot Project	19,400	363,800	363,800	363,800
Federal Share of Additional Costs	154,271	276,661	278,429	279,494
MT Share of Additional Costs	191,823	377,333	379,102	380,166
Total Additional Costs	\$ 346,094	\$ 653,994	\$ 657,531	\$ 659,659
Montana Savings Account Under Proposal	SFY 2014	SFY 2015	SFY 2016	SFY 2017
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 Savings under proposal (State only)	\$ (4,148,196)	\$ (6,869,752)	\$ (21,548,478)	\$ (27,305,895)

	<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	\$12,013,406	\$17,490,127	\$22,018,463	\$25,828,509
Benefits	\$205,996,134	\$543,648,907	\$641,682,840	\$717,941,257
Transfers	\$4,148,196	\$6,869,751	\$21,548,478	\$27,305,895
TOTAL Expenditures	\$222,157,736	\$568,008,785	\$685,249,781	\$771,075,661
<u>Funding of Expenditures:</u>				
General Fund (01)	\$6,232,362	\$10,354,606	\$12,729,286	\$14,498,044
State Special Revenue (02)	\$0	\$0	\$0	\$18,375,770
Federal Special Revenue (03)	\$215,925,374	\$557,654,179	\$672,520,495	\$738,201,847
TOTAL Funding of Exp.	\$222,157,736	\$568,008,785	\$685,249,781	\$771,075,661
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$4,148,196	\$6,869,751	\$21,548,478	\$27,305,895
Federal Special Revenue (03)	\$215,925,374	\$557,654,179	\$672,520,495	\$738,201,847
TOTAL Revenues	\$220,073,570	\$564,523,930	\$694,068,973	\$765,507,742
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$6,232,362)	(\$10,354,606)	(\$12,729,286)	(\$14,498,044)
State Special Revenue (02)	\$4,148,196	\$6,869,751	\$21,548,478	\$8,930,125
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Long-Term Impacts:

1. SB 395 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.

Technical Notes:

Department of Public Health and Human Services

1. Section 9(a) use as the benchmark plan allowed for under 42 U.S.C. 1936u-7(b)(1)(D) the essential health benefit that is selected by: (i) the legislature; or (ii) the secretary of the U.S. Department of Health and Human Services pursuant to 42 U.S.C. 18022 and related federal regulations. The Secretary of the U.S. Department of Health and Human Services does not select benchmark plans for states. If the legislature selects a plan, the process for selecting a benchmark plan is unclear.
2. Section 11, the department would only establish additional programs to reduce costs and improve medical outcomes if they were cost effective. Until specific programs are identified and vetted, reductions in costs and medical outcomes are not estimable.
3. Section 13(4) (a), (b) and (e). The Department of Public Health and Human Services would not be able to identify reductions in expenditures for other departments.

4. It is unclear what would occur if the legislature or the Secretary of the U S Department of Health and Human Services did not pick a benchmark plan as outlined in section 9.

Department of Labor

5. The provisions of the bill require the Board of Medical Examiners to deny a license or license renewal to an applicant, who does not provide the information described for in Section 7 might not be rationally related to purposes and duties of the Board as described in 37-3-101 and 37-3-203, MCA. The declarations of legislative intent and purpose provided for by Section 2 of the bill appear not to apply to the provisions of Section 7 of the bill.
6. Section 7(5) appears to put the board of Medical Examiners in the position of having to provide detailed, personally identifiable information about licensees to private professional associations and that requirement potentially infringes upon licensee’s constitutionally protected rights of privacy under Art. II, Sec. 10, Mont. Const.

Sponsor’s Initials

Date

Budget Director’s Initials

Date



Dedication of Revenue 2015 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**

Yes, funds are subject to appropriation for Health Services as outlined in the bill.

- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**

Identified savings can be deposited in the account and appropriated by the Legislature.

- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**

Yes, funds will be used to augment funding as outlined in the bill.

- d) **Does the need for this state special revenue provision still exist? ___Yes ___No (Explain)**

Not Applicable

- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**

No, statewide accounting procedures will apply.

- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**

Yes, this dedicated revenue fulfills legislative intent as outlined in the bill.

- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**

See response to item "e"