SB 405 (HELP ACT) FISCAL IMPACT

The following analysis uses the SB 405 Health and Economic Livelihood Partnership (HELP) Act fiscal note assumptions and cost estimates for the Department of Labor and Industry (DOLI), the Department of Revenue (DOR), the Department of Corrections (DOC), and the Department of Public Health and Human Services (DPHHS). The majority of the estimated fiscal impacts for SB 405 affect the Medicaid program administered DPHHS. This analysis illustrates the allocation of costs between HB 2 and the appropriations in SB 405. Finally it concludes with the long-term general fund impacts of SB 405.

It should be noted that the assumptions throughout this analysis, including long-term impacts, include only direct impacts of the legislation. This approach is typical of how fiscal notes are crafted. This analysis does not consider economic or dynamic impacts that may result from this legislation.

Medicaid Impacts - HB 2 Compared to Total with SB 405

The following chart shows the 2017 biennium appropriation for Medicaid services in HB 2 and the change due to SB 405 based on assumptions included in the fiscal note. The chart includes only appropriations. It does not include the revenues associated with SB 405.

Estimated Medicaid Increase

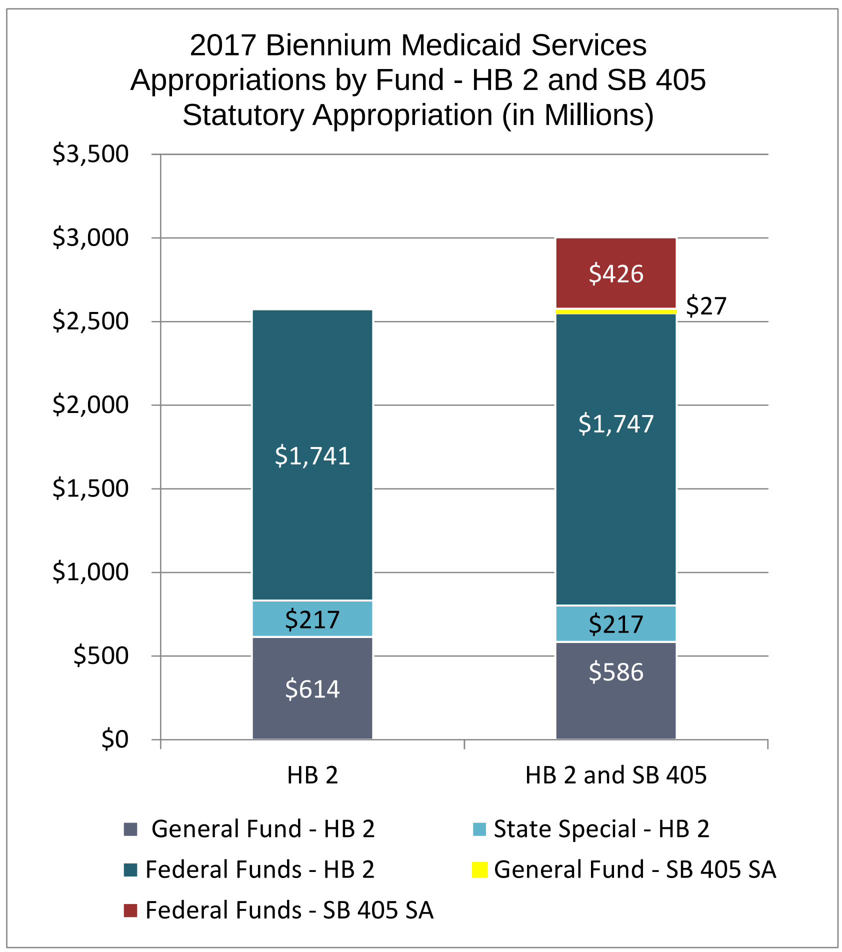
The 2017 biennium appropriation for Medicaid services in HB 2 is $2.6 billion. The changes included in SB 405 would add a net $431.6 million for Medicaid services funded through a statutory appropriation. In total, SB 405 would increase Medicaid service expenditures by an estimated 15% over the 2017 biennium.

Estimated Appropriation Changes

The statutory appropriations would replace some HB 2 appropriations for Medicaid services. As a result, HB 2 appropriations are estimated to decline by a net $22.3 million in all funds and by $28.0 million in general fund.

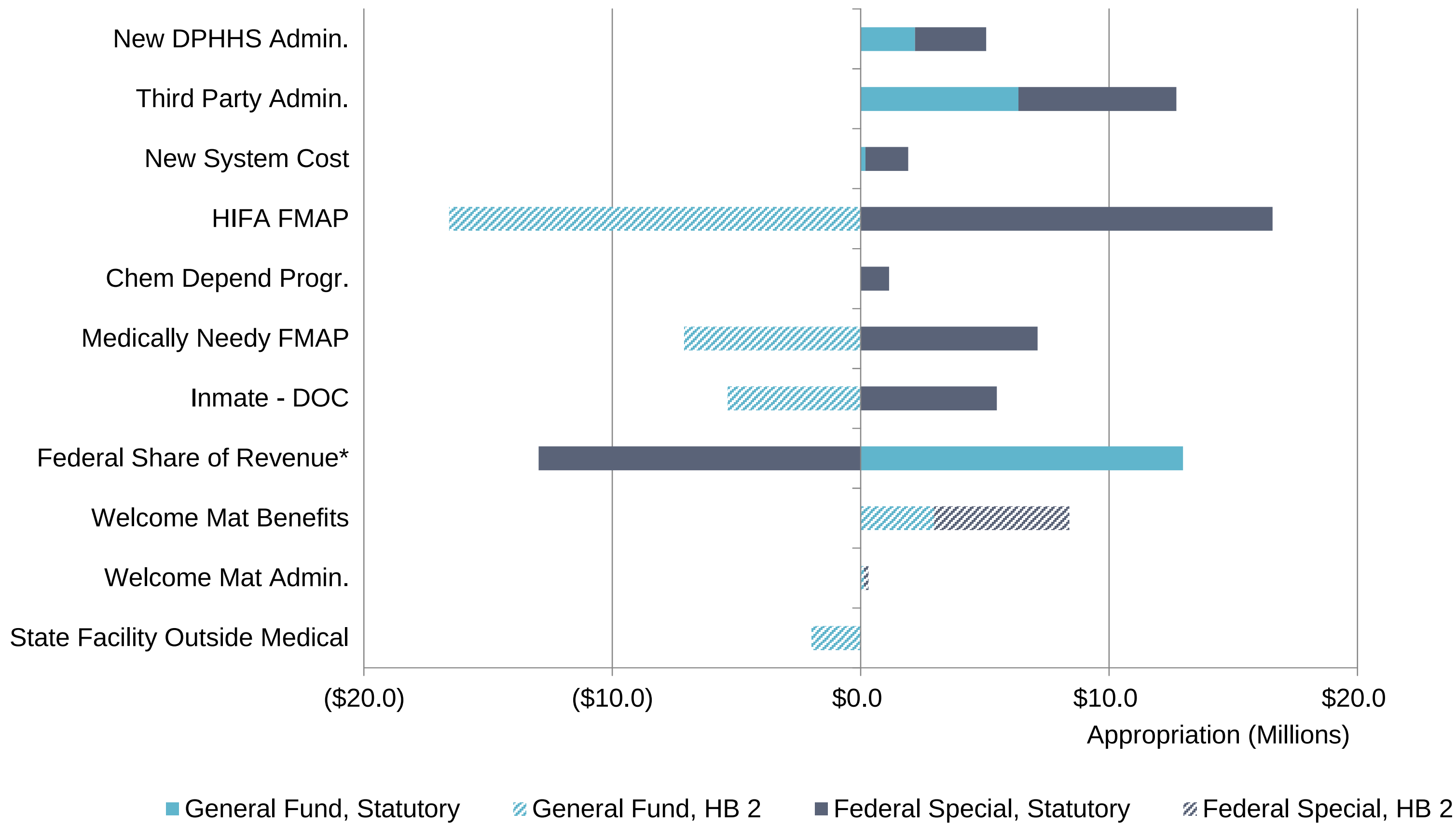
Statutory appropriations increase by $453.9 million total funds, including $27.0 million general fund.

The figure on the following page shows the biennial total of the individual fiscal note assumptions affecting Medicaid services.



Medicaid Impacts of SB 405 by Fiscal Note Category, Fund Type, Appropriation Type

The largest impact of SB 405 is due to expenditures for newly eligible adults. This results in a statutory appropriation of $5.8 million in general fund and $398.2 million in federal special fund over the 2017 biennium. These expenditures are not included on this chart.



* Federal Share of Revenue shows the passage of premium payments from the state to the federal government. This transfer occurs at the proportion of expenditures for which the federal government is responsible (100% in FY 2016 and 97.5% in FY 2017). In FY 2017 there is a net gain to the general fund of $0.2 million that is not reflected in this chart since it is not an appropriation.

SB 405 Fiscal Note Summary

SB 405 includes a general fund appropriation of $2.2 million to DOLI and DOR, a statutory appropriation that funds expenditures that occur as a direct result of the expansion of Medicaid eligibility, and implied changes in HB 2. The following table shows each of those components.

SB 405 Fiscal Note Assumptions - Biennial Impact by Source of Authority						
	House Bill 2			Statutory & SB 405 Appropriations		
Expenditure	General Fund	Federal	Total	General Fund	Federal	Total
Department of Public Health and Human Services						
Eligibility Expansion						
New Adult Benefits	$0	$0	$0	$5,761,998	$398,175,573	$403,937,571
New DPHHS Administration	-	-	-	2,185,360	2,856,467	5,041,827
Third Party Administrator	-	-	-	6,349,822	6,349,822	12,699,644
New System Cost	-	-	-	190,658	1,715,918	1,906,576
HIFA (MHSP) FMAP	(16,580,483)	-	(16,580,483)	-	16,580,483	16,580,483
Chemical Dependency	-	-	-	-	1,141,247	1,141,247
Medically Needy FMAP	(7,117,256)	-	(7,117,256)	-	7,117,256	7,117,256
Inmate - Dept of Corrections	(5,361,501)	-	(5,361,501)	-	5,470,598	5,470,598
Federal Share of Revenue	-	-	-	12,978,704	(12,978,704)	-
	-	-	-	-	-	-
Welcome Mat/Other	-	-	-	-	-	-
Welcome Mat Benefits	2,940,892	5,455,806	8,396,698	-	-	-
Welcome Mat Administration	126,194	188,565	314,759	-	-	-
State Facility Outside Medical at Medicaid Rates	(1,992,549)	-	(1,992,549)	-	-	-
SB 405 Approp. to Departments of Labor and Industry and Revenue				2,154,689	-	2,184,689
Total	($27,984,703)	$5,644,371	($22,340,332)	$29,621,231	$426,428,660	$456,079,891
General Fund Expenditure Impact				($1,636,528)		
General Fund Revenue Impact				13,161,641		
Total General Fund Impact				$11,525,113		

The statutory appropriation funds:

- Medicaid services for newly eligible low-income adults
- DPHHS administrative costs for the new population
- Third party administrative costs
- System change/upgrade costs
- Federal increases that offset current general fund expenditures for the MHSP/HIFA waiver, chemical dependency, and medically needy Medicaid services as well as inmate services
- Federal share of revenue (see explanation below)

Implied impacts to HB 2 are:

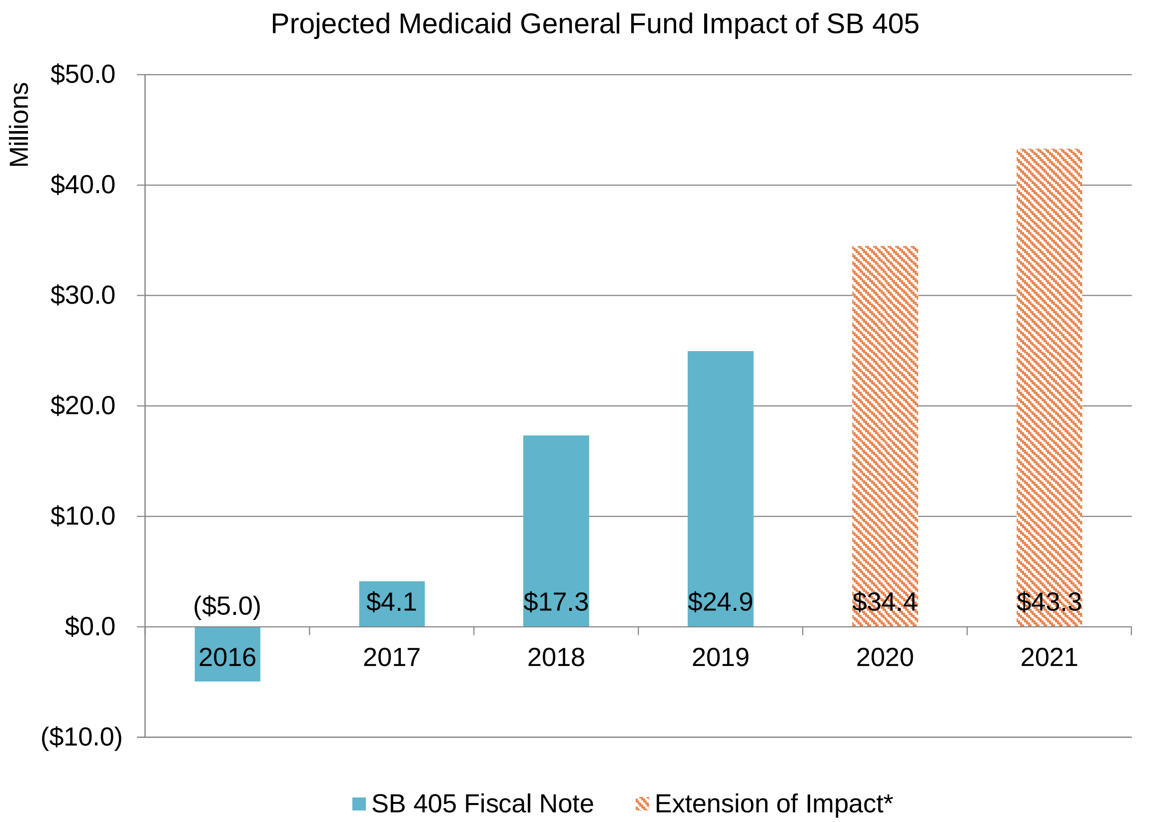
- General fund reductions due to federal funding for MHSP/HIFA waiver, and medically needy Medicaid services as well as inmate services
- Expenditure increases for persons who are currently eligible for Medicaid, but not enrolled (welcome mat or woodwork effect), and are not eligible for the higher federal match rate
- General fund reductions due to the reimbursing outside medical costs for Montana State Hospital and Montana Mental Health Nursing Care Center at Medicaid rates rather than private pay rates

The biennial revenue included in the fiscal note for SB 405 is the premium income that would be paid by individuals with higher incomes and assets. The revenue is deposited to the general fund, and would offset costs of eligibility expansion in proportion to the source of funding that pays the services costs.

For instance, the majority of the revenue would offset federal costs during the 2017 biennium, since the federal match requirement for Medicaid services is estimated to be 100% in FY 2016 and 97.5% in FY 2017. About $0.2 million would be retained as the state portion of revenue in FY 2017.

Long-Term Impacts

In FY 2016, the state would not be responsible for expenditures associated with expanded Medicaid eligibility, which is anticipated to result in general fund savings in HB 2. The state would then gradually become responsible for a percentage of the expenditures associated with expansion, as indicated in federal law. SB 405 terminates June 30, 2019, at which time state expenditures would have reached 6.5% of the cost of Medicaid services for the expansion population. The chart below shows the expected increase in state expenditures based on the fiscal note for SB 405. The values for FY 16 – FY 19 come directly from the fiscal note; FY 2020 and FY 2021 carry the assumptions of the fiscal note forward two more years as well as incorporating the continued increase in the state percentage of expenditures (capping at 10% in FY 2021) assuming the HELP Act is reauthorized.



*This extension carries the assumptions in the SB 405 fiscal note forward two more years. Note also that SB 405 sunsets after FY 2019, this extension assumes reauthorization of the HELP Act.