



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

**Director**  
AMY CARLSON

DATE: June 5, 2014  
TO: Members of the Legislative Finance Committee  
FROM: Cynthia Hollimon, Fiscal Analyst  
RE: Medicaid Model Update

The Legislative Fiscal Division is currently working on building a statistically sound Medicaid forecast model, independent of that produced by DPHHS. This is an effort to provide the legislature with a tool for comparison and assessment, and potentially with an alternative estimate. This document provides an update on the progress of model development.

In general, the timeframe for model development remains the same. It is anticipated that by the September LFC meeting a preliminary model will be completed. This model would be tested, updated and available for the 2015 legislative session.

Since the last update to the LFC, the work on the model has progressed. Thorough research identified a Medicaid model for the state of Alaska that could be used as the base for Montana's model. Alaska has a predominantly fee for service program and has similar issues related to geography, tribes, and population. This model uses a specific form of regression that incorporates changes over time, accounts for the changes in the variables that are associated with time and relates various explanatory variables to changes in spending.

The Alaska model has been updated to get a baseline for Montana. The basic structure has been rebuilt, time series structures have been applied to the data, and a very high level model with economic variables has been started. As work progressed, the opportunity arose to work with the developer of Alaska's model who assisted in working through some Montana-specific barriers.

Currently, the work on the model is focusing on analyzing different economic variables. Since the LFD uses IHS forecasts, a current challenge is how best to use these in light of historic variation between forecasts and actuals. In addition, analysis regarding various approaches to increasing accuracy of completed spending estimates for the most recent fiscal years continues.

Future work on the model includes:

- Fine tune the model, test different variables
- Fit the low level models for service level forecasts
- Incorporate important changes in policy (state and federal) and the larger economy

An update on progress will be delivered at the September LFC meeting. If you have any additional concerns, please do not hesitate to contact me at [chollimon@mt.gov](mailto:chollimon@mt.gov).