Fiscal Note 2017 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	SB0405	**Title:**	Establish the Montana Health and Economic Livelihood Partnership Act
Primary Sponsor:	Buttrey, Edward	**Status:**	As Introduced

☐Significant Local Gov Impact ✓Needs to be included in HB 2 ✓Technical Concerns

☐Included in the Executive Budget ✓Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	($3,531,530)	$5,168,060	$18,695,371	$26,468,487
Federal Special Revenue	$191,272,643	$240,800,385	$287,192,889	$327,412,364
Other	$75,000	$0	$0	$0
Revenue:				
General Fund	$5,844,176	$7,317,465	$8,593,301	$9,405,291
Federal Special Revenue	$191,272,643	$240,800,385	$287,192,889	$327,412,364
Other	$75,000	$0	$0	$0
Net Impact-General Fund Balance:	$9,375,706	$2,149,405	($10,102,070)	($17,063,196)

Description of fiscal impact: SB 405 proposes to create the Health and Economic Livelihood Partnership Act to expand health care coverage to additional eligible individuals and improve access to health care services across Montana. SB 405 further establishes a health care coverage program to provide certain low-income Montanans with access to health care services using Medicaid funds and an arrangement with a third party administrator, while requiring premiums and copays payable by the program participants. This bill proposes to use federal matching funds to provide for state savings through FY 17, with the state portion of funding being capped at no more than 10% of benefit costs in years beyond this analysis. The bill further provides for integrity fees and workforce development provisions.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services (DPHHS)

1. The table on page six includes the following assumptions for the Montana Health and Economic Livelihood Partnership (HELP) Act participants.
    a. Montana Adult Benefits

- i. Estimated number of newly eligible clients.
  1. There are an estimated 45,723 participating adults over the next four years.
  2. The take- up rate is 85% for uninsured and 70% for privately insured.
  3. A phase-in for enrollment will occur over four years.
  4. In conjunction with take-up and phase-in, it is estimated enrollment will grow at the Montana population growth over the last 5 years of 0.80% per year.
- ii. Estimated medical service costs for the newly eligible clients.
  1. The average medical service cost for FY 2016 is $504.62 per client per month.
  2. Medical service costs increase by approximately 6% annually.
  3. Medical services will receive the enhanced Federal Medical Assistance Percentage (FMAP). The enhanced FMAP for each state fiscal year is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.

b. HELP Act Administrative Costs
- i. Administrative costs include eligibility determination, program management, and quality control functions.
  1. The administrative cost is estimated to be $8.10 per member per month for FY 2016. The estimated per client costs decline in subsequent years as more clients enroll.
  2. Administrative costs receive an administrative federal participation rate ranging from 50% to 90% depending on the cost category.

c. HELP Act Third Party Administration (TPA)
- i. The cost paid monthly to a TPA is estimated to be $20.07 per member per month for FY 2016. TPA costs receive an administrative federal participation rate of 50%.

d. Health Insurance Flexibility and Accountability (HIFA) FMAP Increase
- i. The HIFA program currently receives the standard FMAP.
- ii. Under this bill, most HIFA clients will be eligible for the HELP Plan and will receive the enhanced FMAP causing a decrease in general fund expenditures and an increase federal special revenue fund expenditures.
- iii. There are an estimated 3,150 HIFA clients per year for the next four years.
- iv. The FMAP for the HIFA eligible clients is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.

e. Estimated savings to the Chemical Dependency Services
- i. Medicaid currently covers chemical dependency services for clients up to 200% of Federal Poverty Level (FPL).
- ii. Clients who are in the chemical dependency program have incomes under 138% FPL and would be eligible for Medicaid.
- iii. The FMAP for the chemical dependency clients is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
- iv. Montana will experience savings from this enhanced match, though this program is funded with restricted state special revenue with statutorily required usage. Therefore, the state savings are not shown in the table.

f. Estimated savings to Medically Needy program.
- i. Medically needy individuals, who meet the eligibility requirements of the expansion group will be considered newly eligible.
- ii. The FMAP for medically needy clients is a blended rate: FY 2016 is 100 %, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.
- iii. It is estimated 31% of the current non-elderly medically needy population will be part of the expansion group. The difference in FMAP will result in savings to Montana.

g. Estimated impact of inmate medical expenses
   i. Inmates who meet the eligibility requirements of the expansion group will be considered newly eligible.
   ii. For these inmates, inpatient hospital stays as well as some pre-release medical services will be eligible.
   iii. The FMAP for the inmates is a blended rate: FY 2016 is 100%, FY 2017 is 97.5%, FY 2018 is 94.5%, and FY 2019 is 93.5%.

h. Estimated impact of Health Care Services Payment Schedule (New Section 9)
   i. It is estimated that Montana State Hospital and the Montana Mental Health Nursing Care Center will experience a 30% savings in the cost of laboratory, outside medical and pharmaceutical costs. The estimated savings for SFY 2016 is $967,257 ($3,224,189*30%). The estimated savings are projected to increase by 6% each year.

i. Welcome Mat Clients
   i. Welcome Mat Benefits.
      1. Estimated number of welcome mat clients.
         a. Program implementation and public awareness are assumed to bring additional adults and children into Medicaid, who are currently eligible, but not enrolled.
      2. There are an estimated 1,453 welcome mat clients over the next four years.
      3. The take-up for the welcome mat clients is 4% for uninsured and 2% for privately insured.
      4. A phase-in for enrollment will occur over four years.
   ii. Estimated medical service costs for the welcome mat clients.
      1. Welcome mat clients will receive the standard Federal Medical Assistance Percentage (FMAP).
      2. Medicaid non-disabled adults average costs are $452 per month, while Medicaid children costs are $310 per month.
      3. Estimated costs for adults increase by approximately 0.004%, annually, while costs for children increase by approximately .25% annually.

j. Welcome Mat Administrative
   i. Administrative costs include eligibility determination, program management, claims processing and quality control functions.
   ii. The administrative cost is estimated to be: FY 2016 is $139,763; FY 2017 is $174,996; FY 2018 is $205,508, and FY 2019 is $ 224,926.
   iii. Administrative costs receive an administrative federal participation rate ranging from 43% to 90% depending on the cost category.

2. HELP Act oversight committee
   a. SB 405 establishes a Montana HELP Act oversight committee. Section 11 provides that nine members will be appointed consisting of legislative members, industry experts, a representative of the state auditor's office, and a member of the general public or staff member of the governor's office. The committee members, with the exception of state employees, are entitled to receive compensation and expenses as provided in 5-2-302, MCA.
   b. SB 405 requires the committee to meet at least quarterly. It is estimated two-day meetings will be held in Helena to meet the requirements of the bill. The cost of conducting the meetings is estimated at $18,377 for FY 2016, $18,745 for FY 2017, $19,120 for FY 2018, and $19,502 for FY 2019.
   c. These costs are expected to receive the Medicaid administrative federal participation of 50% state funding/50% federal funding.

Department of Labor and Industry (DLI)

3. The bill specifies that "The department shall provide individuals receiving assistance for health care services pursuant to [sections 1 through 13] with the option of participating in an employment or reemployment assessment and in the workforce development program provided for in [section 14]. The assessment must identify any probable barriers to employment that exist for the member."
4. It is anticipated that there will be 25,860 recipients in SFY 2016; 33,170 recipients in SFY 2017; 40,593 recipients in SFY 2018; and 45,723 recipients in SFY 2019.
5. In order to deliver this service in a timely matter, the department anticipates initially providing classes in a group setting. Classes will be hosted across the state. In order to tailor the presentations, and present the most relevant information, the department anticipates providing two separate types of classes. One class will be designed for recipients who are currently unemployed. The other class will be designed for recipients who are currently employed, but may be seeking to advance their careers or obtain additional training. As a part of these classes, participants will also complete an assessment that will assist in determining their individual barriers to employment, as well as specific services that would be available to assist them in overcoming those barriers.
6. Recipients have the option to participate in the workforce development program provided for under this act. For purposes of this fiscal note, it is assumed that 75% of recipients would choose that option. Thus, the number of participants in the workforce development program would range from 19,395 in FY 2016 to 34,292 in FY 2019.
7. Assuming that 50 recipients would attend each class, approximately 388 classes will need to be provided across the state in the first year of the program. Taking into consideration travel time, set-up of a venue, checking-in participants, providing the presentation itself, and reviewing participant assessments, it is estimated that each class will take approximately twelve hours of staff time to execute. The class itself is expected to last approximately 2 hours. In total, this equates to 4,656 hours of staff time.
8. Employment and reemployment assessments are designed to provide exposure to the offerings of the Workforce Service Centers, as well as to identify areas where additional training or assistance (resume assistance, job interview training, etc.) may assist a person in becoming reemployed more quickly, or to obtain employment that pays higher wages then they are currently earning. As a result, it is anticipated that providing these initial classes will increase workload in the Workforce Service Centers, as recipients seek to take advantage of the additional services they have learned about. It is assumed that, for each of the recipients attending the initial classes, approximately 80% will seek out additional services, requiring an average of 1 additional hour of staff time each in order provide those services. This will require another 15,516 hours of staff time.
9. When taking into consideration vacation time, sick leave, holidays, and approximately 1 hour per day of time to attend meetings, trainings, and complete administrative tasks and paperwork, it is assumed that one Band 5 Employment Specialist would be available to provide direct assistance to clients approximately 1,600 hours per year.
10. Based on the above assumptions, the department anticipates needing 13 Band 5 Employment Specialists in order to conduct trainings and provide additional services.
11. Salary and benefits for 13 Band 5 employment specialists is estimated to be $670,133 in FY 2016 and FY 2017. Personal services costs will increase 1.5% each year beyond FY 2017. Indirect cost rate charges associated with these employees are estimated to be $54,080 per year. In 2016, each of these employees will also need new office supplies/furniture. At $1,600 per employee, this is estimated to cost $20,800. In addition, computers for these employees, at $1,275 each, are estimated to cost $16,575.
12. The employees mentioned above will have travel costs associated with travelling across the state to provide trainings and assessments. Each year, the department anticipates each of the 13 employment specialists needing a vehicle 65 days each year, and driving an average of 2,500 miles. At current motor pool rates, this equates to $10,211 in mileage costs per year. Assuming per diem of $23 per employment specialist per day of travel, the department anticipates a cost of $19,435 per year. Assuming that, of those 65 travel days

per year, the employment specialists will be need lodging for 45 nights, at the current state rate of $83, the department estimates a cost of $48,555 per year.

13. Letters will need to be mailed to each of the HELP Act recipients to notify them of the opportunities available to them through the workforce development program. With cost of printing and postage, each mailing is anticipated to cost $.75. This equates to a cost of $19,395 in FY 2016; $24,878 in FY 2017; $30,445 in FY 2018; and $34,292 in FY 2019.
14. The department will also have programming costs associated with implementing this section of the bill. Programming will be needed to schedule appointments and create notification letters for recipients, as well as to collect information needed for the quarterly reporting required by this act. Programming may also be required to survey participants in order to determine their needs and any barriers to employment. It is estimated that 600 hours of contractor programming would be needed, at $125/hour for a total cost of $75,000. If approved, the department's Technical Services Division rates for contracted services may need to be amended to account for this additional charge.

Department of Revenue (DOR)

15. Program participants will be charged an annual premium, billed monthly, equal to 2% of the participant's income. If a participant with income not more than 138% of the poverty level fails to make payment for overdue premiums within 90 days of the date the notification was sent, the Department of Public Health and Human Services (DPHHS) will notify the Department of Revenue of the participant's failure to pay. The department shall collect the amount due for nonpayment by assessing the amount against the participant's annual income tax. The debt remains until paid and may be collected through assessments against future income tax returns or through a civil action initiated by the state. For the purposes of the fiscal note, it is assumed that program participants are in compliance with the premiums payable as required by this bill.
16. For participants with incomes of more than 100% but not more than 138% of the federal poverty line, this failure to pay results in disenrollment of the program. If the participant does not indicate that they do not want to be in the program, DPHHS can re-enroll them after the department collects their unpaid premiums. Some qualified participants are exempt from the disenrollment provision.
17. The bill also creates a taxpayer integrity fee, collected by the department, which is assessed on taxpayers who participate in the HELP program and have assets that exceed a primary and attached property value exceeding $250,000; one light vehicle; and a total of $50,000 in cash and cash equivalent. The fee is $100 a month plus an additional $4 a month for each $1,000 in assets above the amounts specified above. Any unpaid fees may be collected through assessments against future income tax returns or through a civil action initiated by the state. For the purposes of the fiscal note, it is assumed that program participants are in compliance and do not have the assets above the threshold outlined in this bill.
18. This bill would result in a one-time computer system development cost for the department in FY 2016 of $250,000 for the administration of the fee and to collect overdue payments.
19. This bill would require 1 FTE to implement and verify the provisions of section 18 of the bill which, using estimates from DPHHS, would be for 25,000 to 50,000 participants.
20. This bill would result in costs to create forms in FY 2016 which would be absorbed by the department.
21. This bill is effective upon approval by the U.S. Department of Health and Human Services of waivers and approvals necessary to provide Medicaid-funded services to eligible individuals. Sections 11 and 21 are effective on passage and approval. This fiscal note assumes implementation in FY 2016.

Summary of Financial Impacts for the Department of Public Health and Human Services

	FY 2016	FY 2017	FY 2018	FY 2019
Enhanced FMAP	0.0%	2.5%	5.5%	6.5%
Total Clients	25,860	33,170	40,593	45,723
Healthy Montana Adults	22,710	30,020	37,443	42,573
HIFA Waiver	3,150	3,150	3,150	3,150
Welcome Mat Clients	822	1,054	1,290	1,453
Total Revenues				
HELP Adult Premiums	$ 5,844,176	$ 7,317,465	$ 8,593,301	$ 9,405,291
Total Revenues	$ 5,844,176	$ 7,317,465	$ 8,593,301	$ 9,405,291
Total Expenditures				
HELP Adult Benefits	$ 173,457,654	$ 230,479,917	$ 287,094,798	$ 332,841,414
Welcome Mat Benefits	3,724,369	4,672,329	5,497,645	6,028,834
HELP Adults Administrative Cost	2,206,314	2,835,514	3,382,076	3,730,007
HELP Adults Third Party Administation	5,469,551	7,230,095	9,017,774	10,253,328
HELP System Integration Costs	1,906,575			
Welcome Mat Administrative Cost	139,763	174,996	205,508	224,926
HIFA FMAP Increase	-	-	-	-
Chemical Dependency Program [1]	526,521	614,723	692,295	826,813
Medically Needy FMAP	-	-	-	-
Inmate Transition to Medicaid	20,368	88,729	170,763	198,108
Health Care Services Payment Schedule	(967,257)	(1,025,292)	(1,086,810)	(1,152,018)
Total Cost (State & Federal)	$ 186,483,858	$ 245,071,011	$ 304,974,050	$ 352,951,412
Federal Expenditures				
HELP Adult Benefits	$ 173,457,654	$ 224,717,919	$ 271,304,584	$ 311,206,722
Welcome Mat Benefits	$ 2,432,086	$ 3,023,720	$ 3,552,578	$ 3,895,832
HELP Adults Administrative Cost	$ 1,249,996	$ 1,606,471	$ 1,916,128	$ 2,113,250
HELP Adults Third Party Administation	$ 2,734,775	$ 3,615,047	$ 4,508,887	$ 5,126,664
HELP System Integration Costs	$ 1,715,918			
Welcome Mat Administrative Cost	$ 83,729	$ 104,836	$ 123,115	$ 134,748
HIFA FMAP Increase	$ 8,525,318	$ 8,055,165	$ 7,341,524	$ 7,095,824
Chemical Dependency Program [1]	$ 526,521	$ 614,723	$ 692,295	$ 826,813
Medically Needy FMAP	$ 3,621,343	$ 3,495,913	$ 3,255,363	$ 3,214,719
Inmate Transition to Medicaid	$ 2,769,480	$ 2,701,118	$ 2,619,084	$ 2,591,739
Health Care Services Payment Schedule	$ -	$ -	$ -	$ -
Less Federal Share of Revenues	$ (5,844,176)	$ (7,134,528)	$ (8,120,669)	$ (8,793,947)
Total Federal Cost	$ 191,272,643	$ 240,800,385	$ 287,192,889	$ 327,412,365
State Expenditures				
HELP Adult Benefits	$ -	$ 5,761,998	$ 15,790,214	$ 21,634,692
Welcome Mat Benefits	$ 1,292,283	$ 1,648,609	$ 1,945,067	$ 2,133,001
HELP Adults Administrative Cost	$ 956,318	$ 1,229,042	$ 1,465,948	$ 1,616,757
HELP Adults Third Party Administation	$ 2,734,775	$ 3,615,047	$ 4,508,887	$ 5,126,664
HELP System Integration Costs	$ 190,658			
Welcome Mat Administrative Cost	$ 56,034	$ 70,160	$ 82,393	$ 90,178
HIFA FMAP Increase	$ (8,525,318)	$ (8,055,165)	$ (7,341,524)	$ (7,095,824)
Chemical Dependency Program [1]	$ -	$ -	$ -	$ -
Medically Needy FMAP	$ (3,621,343)	$ (3,495,913)	$ (3,255,363)	$ (3,214,719)
Inmate Transition to Medicaid	$ (2,749,112)	$ (2,612,389)	$ (2,448,320)	$ (2,393,631)
Health Care Services Payment Schedule	(967,257)	$ (1,025,292)	$ (1,086,810)	$ (1,152,018)
Plus Federal Share of Revenues	$ 5,844,176	$ 7,134,528	$ 8,120,669	$ 8,793,947
Total State Cost	$ (4,788,785)	$ 4,270,626	$ 17,781,161	$ 25,539,048
	$10,632,961	$3,046,839	-$9,187,860	-$16,133,756

1. This program is funded with State Special Revenue so no General Fund saving occur. The savings are not included in the State Impact, additional Federal Cost is included in the Total and Federal Impact portions.

* Client estimates are as of July of each fiscal year.

DPHHS	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
Expenditures:				
Operating Expenses	$8,754,946	$9,215,312	$11,518,548	$13,056,243
Benefits/Claims	$177,728,912	$235,855,699	$293,455,502	$339,895,169
TOTAL Expenditures	$186,483,858	$245,071,011	$304,974,050	$352,951,412
Funding of Expenditures:				
General Fund (01)	($4,788,785)	$4,270,626	$17,781,161	$25,539,048
Federal Special Revenue (03)	$191,272,643	$240,800,385	$287,192,889	$327,412,364
TOTAL Funding of Exp.	$186,483,858	$245,071,011	$304,974,050	$352,951,412
Revenues:				
General Fund (01)	$5,844,176	$7,317,465	$8,593,301	$9,405,291
Federal Special Revenue (03)	$191,272,643	$240,800,385	$287,192,889	$327,412,364
TOTAL Revenues	$197,116,819	$248,117,850	$295,786,190	$336,817,655

DLI	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
FTE	13.00	13.00	13.00	13.00
Expenditures:				
Personal Services	$670,133	$670,133	$680,185	$690,388
Operating Expenses	$339,051	$157,159	$162,726	$166,573
Benefits	$0	$0	$0	$0
TOTAL Expenditures	$1,009,184	$827,292	$842,911	$856,961
Funding of Expenditures:				
General Fund (01)	$934,184	$827,292	$842,911	$856,961
Federal Special Revenue (03)	$0	$0	$0	$0
Other	$75,000	$0	$0	$0
TOTAL Funding of Exp.	$1,009,184	$827,292	$842,911	$856,961
Revenues:				
General Fund (01)	$0	$0	$0	$0
Federal Special Revenue (03)	$0	$0	$0	$0
Other	$75,000	$0	$0	$0
TOTAL Revenues	$75,000	$0	$0	$0

DOR	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Fiscal Impact:				
FTE	1.00	1.00	1.00	1.00
Expenditures:				
Personal Services	$63,438	$63,438	$64,494	$65,571
Operating Expenses	$256,385	$6,704	$6,805	$6,907
Equipment	$3,248	$0	$0	$0
TOTAL Expenditures	$323,071	$70,142	$71,299	$72,478
Funding of Expenditures:				
General Fund (01)	$323,071	$70,142	$71,299	$72,478
Federal Special Revenue (03)	$0	$0	$0	$0
TOTAL Funding of Exp.	$323,071	$70,142	$71,299	$72,478
Revenues:				
General Fund (01)	$0	$0	$0	$0
Federal Special Revenue (03)	$0	$0	$0	$0
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures) All Agencies:				
General Fund (01)	$9,375,706	$2,149,405	($10,102,070)	($17,063,196)
State Special Revenue (02)	$0	$0	$0	$0
Federal Special Revenue (03)	$0	$0	$0	$0
Other	$0	$0	$0	$0

Long-Term Impacts:

Department of Public Health and Human Services

1. The HELP Act provides access to Medicaid to eligible Montanans in compliance with 42 U.S.C.1396(a)(10)(A)(i)(VIII). It is estimated that 45,723 individuals will enroll in Medicaid coverage by FY 2019.

Technical Notes:

Department of Labor and Industry (DLI)

1. For purposes of this fiscal note, it assumed that under Section 16 (5) this is referring only to eligible Medicaid participants defined in SB405 and not all unemployment insurance claimants.
2. It is assumed that Department of Labor and Industry, Unemployment Insurance Division will utilize shared resources and funding from DPHHS to verify identify, employment status and demographics changes on participants that are also Medicaid participants.
3. Under Section 22, the unemployment insurance portion in Section 16 is codified in Title 39.
4. If the intent of this bill is to apply enhanced identity verification only to UI claimants that are Medicaid program participants as defined under this bill, this could create a conformity issue with the U.S. Department of Labor by treating unemployment insurance claimants differently.
5. State unemployment insurance laws must meet certain federal requirements to receive federal administrative grant funding to support UI administration and for Montana employers to qualify for credits against the tax

imposed under the Federal Unemployment Tax Act (FUTA). If a state law is found to be out of conformity, the federal administrative funding for Unemployment Administration and the FUTA tax credit for Montana employers could be in jeopardy.

6. If technical note #1 is incorrect, there would be additional costs to the Department of Labor and Industry, Unemployment Insurance Division. These costs include one Claims Investigator/Business Analyst to investigate all reports generated. Purchase of a third- party knowledge-based authentication software subscription for verifying identity and employment status of all individuals seeking unemployment insurance benefits to prevent fraud. This cost would be $406,927 in FY16, $444,862 in FY17, $444,862 in FY18 and FY19. There could be additional costs for the Technical Services Division for programming related to flagging and recording fraud. These costs could be $21,000 in FY16 and $21,000 in FY17.
7. DPHHS has included programming costs related to building an interface between their department and the Department of Labor & Industry. The proprietary rates for the Department of Labor & Industry's Technical Services Division may need to be adjusted to allow for payment of our portion of this cost.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*