# Fiscal Note 2021 Biennium

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

| | | | |
|---|---|---|---|
| **Bill #** | HB0658 | **Title:** | Generally revise healthcare laws and permanently expand Medicaid |
| **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 2020 Difference | FY 2021 Difference | FY 2022 Difference | FY 2023 Difference |
|---|---|---|---|---|
| **Expenditures:** | | | | |
| General Fund | 16,508,920 | 16,357,606 | 15,814,473 | 15,290,645 |
| State Special Revenue | 49,102,920 | 51,257,229 | 53,102,488 | 55,035,884 |
| Federal Special Revenue | 537,520,125 | 490,175,104 | 497,233,948 | 504,684,062 |
| **Revenue:** | | | | |
| General Fund | $4,125,324 | $4,166,577 | $4,208,243 | $4,250,325 |
| State Special Revenue | $49,102,920 | $51,257,229 | $53,102,488 | $55,035,884 |
| Federal Special Revenue | $537,520,125 | $490,175,104 | $497,233,948 | $504,684,062 |
| **Net Impact-General Fund Balance:** | ($12,383,596) | ($12,191,029) | ($11,606,230) | ($11,040,320) |

**Description of fiscal impact:** HB 658 provides for a Montana Medicaid Expansion program by providing healthcare coverage for low income Montanans while making substantive changes to the existing program. HB 658 calls for community engagement requirements on participating members, requires health and employment readiness assessments, eliminates the current patient co-pay for participants, increases member premiums, increases the existing hospital utilization fee, creates an outpatient utilization fee, creates a tax on insurance premium collected by the Montana State Fund and health service corporations, and establishes a state special fund to be used as the state match for Montana Medicaid Expansion. Additionally, the bill requires the Department of Labor and Industry to continue the HELP-Link workforce development programs and creates an employer grant program to encourage employers to hire or train Medicaid Expansion program participants.

## FISCAL ANALYSIS

**Assumptions:**

**Department of Public Health and Human Services**

1. Enrollment
   a. As of February 1, 2019, 96,182 low income Montanans are enrolled in Medicaid Expansion. HB 658 creates work requirements for certain members and provides for exemptions for work requirement participation.
   b. According to an independent analysis of HB 658 conducted by the Milken Institute of Public Health at George Washington University, a significant number of the current participants will lose coverage under HB 658, despite work requirement exemptions.
      i. 29,000-38,000 enrollees will lose coverage due to failing to meet the specific work requirements.
      ii. 14,000-16,500 enrollees will lose coverage because of reporting and assessment requirements.
      iii. 3,800-4,500 enrollees will be unable to afford the increased premiums and will lose coverage.
   c. Based on the findings in the analysis, the department assumes the current number of participants in the program will be reduced by 50%. Future enrollment is estimated to grow in proportion to Montana population growth estimated at 1% per year.
2. Health Care Services
   a. Health care service utilization is expected to be reduced by 50% due to the loss of coverage.
   b. Health care services costs are avoided in the standard Medicaid program as individuals previously eligible for standard Medicaid are eligible for Medicaid expansion. Estimated savings to standard Medicaid are in the following categories:
      i. 25-50% Federal Poverty Level Families
      ii. Health Insurance Flexibility and Accountability (HIFA)
      iii. Medically Needy Savings
      iv. Pregnant Women
      v. Breast and Cervical Cancer
   c. It is estimated that 50% of these individuals will not meet the exemptions and other reporting requirements of HB 658, and will transition back to standard Medicaid.
   d. Section 37 removes copayment for all participants in Medicaid expansion. In FY 2018, payments to health care service providers were reduced by $1,779,735 to account for participant cost share. The elimination of patient co-pay shifts these costs back to the State. Based on assumption 1, the Department estimates future cost shift to be equal to one half of the FY 2018 cost avoidance.
3. Health care services for the reduced participants are estimated as follows:

| **Health Care Services** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| Adult Mental Health and Chem Dep | $24,643,276 | $24,888,447 | $25,137,331 | $25,388,705 |
| Critical Access Hospital | $30,746,573 | $31,052,464 | $31,362,989 | $31,676,619 |
| Dental & Denturists | $12,627,414 | $12,753,042 | $12,880,572 | $13,009,378 |
| Drug Rebates | ($3,569,252) | ($3,795,124) | ($3,984,883) | ($4,184,124) |
| Drugs | $71,304,005 | $72,013,395 | $72,733,528 | $73,460,864 |
| Durable Medical Equipment | $2,554,381 | $2,579,794 | $2,605,592 | $2,631,648 |
| Indian Health Services - 100% Fed funds | $34,190,870 | $37,282,660 | $37,655,486 | $38,032,041 |

| | | | | |
|---|---|---|---|---|
| Inpatient Hospital | $38,881,212 | $39,268,033 | $39,660,714 | $40,057,321 |
| Facilities - 100% Fed funds | $1,065,783 | $1,075,369 | $1,086,123 | $1,096,984 |
| Medicaid Reimbursement (MCA 53-6-149) | $106,912,881 | $72,513,936 | $72,513,936 | $72,513,936 |
| Medicaid Reimbursement New Inpatient | $46,389,016 | $46,404,506 | $46,404,506 | $46,404,506 |
| Medicaid Reimbursement Outpatient | $84,545,930 | $59,368,570 | $62,337,000 | $65,453,850 |
| Nursing Homes & Swing Beds | $3,185,083 | $3,216,770 | $3,248,938 | $3,281,427 |
| Other Acute Services | $6,929,356 | $6,998,295 | $7,068,278 | $7,138,961 |
| Other Hospital and Clinical Services | $20,646,924 | $19,792,677 | $19,990,603 | $20,190,509 |
| Other Managed Care Services | $5,589,483 | $5,645,091 | $5,701,542 | $5,758,558 |
| Other Practitioners | $12,621,402 | $12,746,970 | $12,874,439 | $13,003,184 |
| Other SLTC Home Based Services | $861,921 | $870,496 | $879,201 | $887,993 |
| Outpatient Hospital | $38,600,480 | $38,984,508 | $39,374,354 | $39,768,097 |
| Personal Care | $664,879 | $671,494 | $678,208 | $684,991 |
| Physician & Psychiatrists | $35,030,964 | $35,379,480 | $35,733,275 | $36,090,608 |
| School Based Services - 100% Fed funds | $5,766 | $6,009 | $6,070 | $6,130 |
| Increase in cost due to elimination of co-pay | $889,868 | $889,868 | $889,868 | $889,868 |
| **Medicaid Expansion Subtotal** | **$575,318,213** | **$519,716,881** | **$525,947,803** | **$532,352,184** |
| | | | | |
| 25 - 50% Federal Poverty Level Family | ($11,534,939) | ($11,584,391) | ($11,700,235) | ($11,817,237) |
| HIFA/SDMI | ($11,136,129) | ($11,205,776) | ($11,317,833) | ($11,431,012) |
| Medically Needy | ($2,403,487) | ($2,219,477) | ($2,241,672) | ($2,264,089) |
| Pregnant Women | ($14,078,809) | ($14,190,346) | ($14,332,250) | ($14,475,572) |
| Breast and Cervical | ($2,253,154) | ($2,400,509) | ($2,424,514) | ($2,448,759) |
| Health Care Services Payment Schedule | ($513,126) | ($533,651) | ($538,987) | ($544,377) |
| **Medicaid Cost Avoidance Subtotal** | **($41,919,643)** | **($42,134,150)** | **($42,555,492)** | **($42,981,046)** |
| | | | | |
| Supplemental Payments New Outpatient | $23,557,044 | $33,502,289 | $35,177,404 | $36,936,274 |
| Supplemental Payments New Inpatient | $12,133,322 | $16,682,570 | $16,682,570 | $16,682,570 |
| **Medicaid Subtotal** | **$35,690,366** | **$50,184,859** | **$51,859,974** | **$53,618,844** |
| | | | | |
| **Total Health Care Services** | **$569,088,936** | **$527,767,590** | **$535,252,285** | **$542,989,981** |

4. Health care services are grouped in the following table by matching source:
   a. Enhanced FMAP - SSR Match HB 2
      i. Includes health care service payments matched with state special funds collected in accordance with MCA 15-66-102 (1) and deposited in the state special revenue account provided in MCA 53-6-149.
   b. Enhanced FMAP - SSR Match New HB 2
      i. Includes health care service payments matched with state special funds collected in accordance with Section 2 (1) and Section 2 (2) and deposited in the state special revenue account provided in MCA 53-6-149.
   c. Enhanced FMAP – SSR Match M/E Approp
      i. Includes health care service payments matched with the state special funds collected in accordance with Section 2 (3)(b).
   d. Enhanced FMAP – GF Match M/E Approp

i. Includes health care service payments matched with the general fund authorized in MCA 53-6-1304 (2).

e. FMAP – GF Match HB 2

i. Includes the reduced costs to standard Medicaid generated from individuals newly eligible for Medicaid Expansion in accordance with the federal waiver. These cost reductions are matched with HB 2 general fund appropriations.

f. Federal – Leveraged Match

i. Includes health care service payments matched with general fund appropriations outside of the Medicaid budget.

g. 100% Federal IHS

i. Includes health care service payments made to an Indian Health Service or Tribal Health Facility for eligible American Indian/Alaska Natives.

ii. These costs are 100% federally funded.

| **Health Care Services by Matching Source** | | | | |
|---|---|---|---|---|
| Enhanced FMAP - SSR Match HB2 | $106,912,881 | $72,513,936 | $72,513,936 | $72,513,936 |
| Enhanced FMAP - SSR Match New HB2 | $130,934,946 | $105,773,076 | $108,741,506 | $111,858,356 |
| Enhanced FMAP - SSR Match M/E Approp | $220,451,120 | $202,539,470 | $212,666,440 | $223,299,760 |
| Enhanced FMAP - GF Match M/E Approp | $81,756,847 | $100,526,362 | $93,278,243 | $85,544,977 |
| FMAP - GF Match HB2 | ($41,919,643) | ($42,134,150) | ($42,555,492) | ($42,981,046) |
| FMAP - SSR Match New HB 2 | $35,690,366 | $50,184,859 | $51,859,974 | $53,618,844 |
| Federal - Leveraged Match | $1,071,549 | $1,081,378 | $1,092,192 | $1,103,114 |
| 100% Federal - IHS Statutory | $34,190,870 | $37,282,660 | $37,655,486 | $38,032,041 |
| **Total Health Care Services by Matching Source** | **$569,088,936** | **$527,767,590** | **$535,252,285** | **$542,989,981** |

5. The following table identifies the federal Medicaid assistance percentages (FMAP) used in this fiscal note.

| **State Matching Rates** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| Enhanced FMAP - Blended Calendar Year | 8.75% | 10.00% | 10.00% | 10.00% |
| Standard FMAP - Blended State Fiscal Year | 35.07% | 34.85% | 34.85% | 34.85% |
| Enhanced FMAP - Federal Fiscal Year | 10.00% | 10.00% | 10.00% | 10.00% |
| Standard FMAP - Federal Fiscal Year | 35.22% | 35.22% | 35.22% | 35.22% |

6. The health care services by matching source are multiplied by the applicable matching rate to determine the health care services funded.

| **Health Care Services Fund/Source** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| General Fund/M/E Approp | $7,153,724 | $10,052,636 | $9,327,824 | $8,554,498 |
| General Fund/HB2 (cost avoidance) | ($14,701,219) | ($14,683,751) | ($14,830,589) | ($14,978,895) |
| **General Fund Subtotal** | **($7,547,495)** | **($4,631,115)** | **($5,502,765)** | **($6,424,397)** |
| | | | | |
| State Special/HB2 | $10,691,288 | $7,251,394 | $7,251,394 | $7,251,394 |
| State Special/HB2 | $25,663,642 | $28,252,415 | $29,139,233 | $30,070,392 |
| State Special/M/E Approp | $19,289,473 | $20,253,947 | $21,266,644 | $22,329,976 |
| **General Fund Subtotal** | **$55,644,403** | **$55,757,756** | **$57,657,271** | **$59,651,762** |
| | | | | |
| Federal/HB2 | ($39,735,036) | ($44,939,822) | ($45,798,104) | ($46,688,319) |

| | | | | |
|---|---|---|---|---|
| Federal/Statutory IHS | $34,190,870 | $37,282,660 | $37,655,486 | $38,032,041 |
| Federal/M/E Approp | $526,536,194 | $484,298,113 | $491,240,396 | $498,418,894 |
| **Federal Subtotal** | **$520,992,028** | **$476,640,950** | **$483,097,779** | **$489,762,616** |
| **Total Health Care Services** | **$569,088,936** | **$527,767,590** | **$535,252,285** | **$542,989,981** |

7. Administrative Costs – new HB 658 program requirements
   a. Eligibility Activities
      i. Section 1 requires community engagement activities for individuals ages 19 through 59 receiving coverage under Medicaid expansion. The department will need to verify, account for and track the multiple community engagement activities and numerous eligible exemptions for participants. Additionally, the department must notify participants for whom it can verify community engagement requirements or exemptions that they do not have to comply with attestation or reporting requirements in Sections 1 and 2 of the bill. Because the department may certify engagement or exemption activities through available data systems, additional information will be gathered at the time of application. This is estimated to add 15 minutes of effort per application from existing intake processes. In FY 2018, there were 52,584 total applications. Each client service coordinator spent approximately 70% of their time processing applications, resulting in an additional 9.0 FTE Client Service Coordinators and an additional 1.0 FTE Client Service Supervisors (15 min x 52,584 = 13,146 hours; 2080 * 70% = 1,456 processing hours per FTE; 13,146 / 1,456 = 9.0 FTE).
      ii. Section 2 requires the department to verify wage and community engagement activities quarterly and to follow up on noncompliance including disenrollment, unless the individual meets an exemption. This results in additional work associated with case file updates and actions quarterly. This is estimated to be an additional hour of work per individual per year.
      iii. Section 3 requires the department to collect data related to health and employment assessments, to determine compliance, to take action if not compliant, and to share information with the client. The health assessment is required for all participants. This is estimated to be an additional 15 minutes of work per individual per year.
      iv. Section 5 requires participants to notify the department of a permanent increase in income affecting participants' eligibility and for the department to conduct disenrollment activities. Additional department activities associated with this section have been accounted for in assumption 7(a)(ii).
      v. Section 29 requires the participants to provide proof of the applicant's residency in Montana. The current process allows for self-attestation of residency. Additional department activities associated with this section have been accounted for in assumption 7(a)(i).
      vi. Section 30 adjusts the timing of eligibility verification to occur at the time of application. There is no fiscal impact, as eligibility verification is a component of the current eligibility process.
      vii. Because there is still workload associated with initial application, disenrollment periods and evaluation of individuals, the department estimates that eligibility administration will be provided for approximately 70% of the current Medicaid expansion population.
      viii. The additional eligibility administrative activities required in sections 2-5 and 29-30 of HB 658 results in an additional 56.0 FTE Client Services Coordinator
      ix. A staffing ratio of one supervisor for every 8 Client Service Coordinators results in an additional 7.0 FTE Client Service Supervisors.
      x. A staffing ration of one technician for every 32 Client Service Coordinator results in 2.0 FTE Client Service Technicians to scan all additional documentation submitted by participants.

xi. A staffing ratio of one administrative specialist for every 65 Client Service Coordinators results in 1.0 FTE Administrative Review Specialist to ensure appeals are addressed.

xii. Operating costs associated with the new FTE are estimated to be 3% of personal service costs.

xiii. One-time computer equipment and office furniture in FY2020 is estimated at $212,800.

xiv. Additional space for the 65 Client Service Coordinators, 8 Client Service Supervisors, 2 Client Service Technicians, and 1 Fair Hearings Specialist would require an additional 29,184 square feet at $17.14 per square foot. (29,184 x $17.14 = $500,214) and is estimated at $41,685 a month or $500,214 per year.

xv. Funding for the Client Service Coordinators, Client Service Technicians and Client Service Supervisors would be 25% general fund and 75% Federal.

xvi. Funding for the Administrative Review Specialist would be 50% general fund and 50% Federal.

b. Audit (includes out-patient revenue audit)

i. Section 4 requires the department to perform quarterly audits of self-attestation of community engagement or exemptions from community engagement.

ii. The current number of participants in households under 100% of the Federal Poverty Level is 86,221. Based on fiscal note assumption 1, the department assumes this will be reduced by 50%. To comply with Section 4 (2) of the bill the department will sample and audit 433 cases per quarter.

iii. The average estimated time per audit per person is one hour, which results in 1.0 FTE Compliance Specialist to complete the audit provision of Section 4. Personal services costs are estimated at $74,510 in FY 2020 and FY 2021, $75,921 in FY 2022 and $76,380 in FY 2023.

iv. Operating costs associated with the FTE are estimated at 3% of personal services expenditures.

v. One time only office supplies, furniture and computer equipment are estimated at $2,800 in FY 2020.

vi. Section 15 requires the department to audit hospital outpatient fees. A contractor would be hired to provide a series of independent certified audits. The estimated contract amount is $138,668.

c. Fair Hearing and Administrative Review

i. The loss of coverage detailed in assumption 1 will likely result in increased requests for fair hearing and administrative review. The department is unable to estimate the number of requests but anticipates a significant increase in workload.

Administrative Costs – ongoing

a. Administrative costs include premium billing and collection, claims processing and data analytics, continuous eligibility fees, federal share of premium collections, eligibility determination, program management, and quality control functions.

i. Premium Billing and Collections: The department estimates that HB 658 would require all participants be subject to a premium. The premium calculation is based on income; therefore, participants reporting $0 income would not have a calculable premium amount, and the department would not create and issue $0 premium invoices. Based on the current enrollment, 69,659 individuals would have a premium invoiced and collected monthly. Based on assumption 1, 50% of these individuals would lose coverage resulting in 34,829 individuals paying a premium.

ii. Claims Processing and Data Analytics: Based on assumption 1, claims processing is reduced by 50%. Enrollment is expected to grow commensurate with Montana population growth, estimated at approximately 1% per year.

iii. Federal Share of Premiums Collected: The federal share of premium collections is returned to the federal government, based on enhanced FMAP. The FMAP is found in assumption 5. The estimated total premiums are found in assumption 10. The calculation is:
   1. Premiums Collected x Enhanced FMAP = Federal Share of Premiums Collected.

iv. Eligibility Determination, Program Management and Quality Control Functions: Other administrative expenditures are estimated to be $16,872,966 in FY 2020 and $18,493,808 in FY 2021. A 1% growth rate on premium billing, claims processing and other administration is applied each year for FY 2022 and FY 2023.

b. Administrative costs receive an administrative federal participation rate ranging from 50% to 75%.

8. One-time-only Information Technology
   a. The department estimates building two additional telephonic self-service modules to support health risk assessments and employment readiness assessments. The department estimates 1,000 hours at a rate of $150 per hour to complete work. Total anticipated cost in FY 2020 is $150,000.
   b. The department estimates a new interface is required to provide claims information for the claims exemption. The department estimates 160 hours at a rate of $115 an hour to complete the work. Total anticipated cost is $18,400.
   c. Sections 1 through 4, 10, 37 and 38 require significant modification and enhancement of the eligibility system (CHIMES). The department estimates modifications of workflows and data capture in the self-service portal, new screens for capturing additional demographics, health assessments, reporting, quality control, and auditing functions. New interfaces for data exchanges with the Department of Labor and Industry, Department of Revenue and phone integration will be developed, and existing interfaces will be modified to meet requirements of HB 658. The department estimates 44,303 hours at a blended rate of $105 per hour to complete this work. Total anticipated cost in FY 2020 is $4,651,815.
   d. The department estimates five additional reports for tracking and reporting exemption and disenrollment from eligibility including the required CMS demonstration reporting. It is estimated that it will take 400 hours at $105 an hour to complete. Total anticipated cost in FY 2020 is $42,000.

9. Administrative expenses are summarized as follows:

| **Administrative Expense by Category** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| Eligibility | $6,313,563 | $6,177,765 | $6,188,095 | $6,198,583 |
| Audit | $218,213 | $215,413 | $216,867 | $217,339 |
| Premium Billing | $1,650,906 | $1,705,655 | $1,762,297 | $1,819,509 |
| Claims Processing and Data Analytics | $3,873,931 | $6,215,379 | $6,911,438 | $7,852,284 |
| Premium Collections Payment to Federal Fund | $3,457,937 | $3,445,506 | $3,479,960 | $3,514,760 |
| Other Administration | $7,890,192 | $7,127,269 | $7,204,605 | $7,282,774 |
| OTO IT | $4,862,215 | $0 | $0 | $0 |
| **Administrative Expense Total** | **$28,266,957** | **$24,886,987** | **$25,763,262** | **$26,885,249** |

| **Administrative Expense by Fund Source** | | | | |
|---|---|---|---|---|
| General Fund | $11,738,860 | $11,352,832 | $11,627,093 | $11,963,802 |
| Federal Fund | $16,528,097 | $13,534,154 | $14,136,169 | $14,921,447 |
| **Total Funding** | **$28,266,957** | **$24,886,987** | **$25,763,262** | **$26,885,249** |

10. Revenues

a. HB 658 Section 12 increases the inpatient hospital utilization fee by $20 per day. The estimated annual inpatient bed days are 451,252 generating new state special fund revenue of $9,025,040 (451,252 X $20 = $9,025,040).

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|
| **Inpatient Tax Revenue Increase** | | | | |
| Estimated Inpatient Bed Days | 451,252 | 451,252 | 451,252 | 451,252 |
| Additional Tax Collected ($20 per Bed Day) | $ 9,025,040 | $ 9,025,040 | $ 9,025,040 | $ 9,025,040 |
| **Allocation of Tax Revenue Based on Utilization Percentages** | | | | |
| Allocation of Inpatient Bed Days Medicaid - 47.35% SFY 20-23 66.25% | $ 4,273,356 | $ 5,802,198 | $ 5,802,198 | $ 5,802,198 |
| Allocation of Inpatient Bed Days Medicaid Expansion - 52.65% SFY 20-23 66.25% | $ 4,751,684 | $ 3,222,842 | $ 3,222,842 | $ 3,222,842 |
| **Total Fee Allocated** | $ 9,025,040 | $ 9,025,040 | $ 9,025,040 | $ 9,025,040 |

b. HB 658 Section 12 creates an outpatient services utilization fee equal to 0.825% of hospital outpatient revenue. The allocation of outpatient tax in FY 2020 is 49.53% to standard Medicaid and 50.47% to Medicaid expansion. Due to the expected decrease in Medicaid expansion participation, allocation of outpatient tax in FY 2021 – FY 2023 is 66.25% to standard Medicaid and 33.75% to Medicaid expansion.

| | FY 2020 | FY 2021 | FY 2022 | FY 2023 |
|---|---|---|---|---|
| **Estimated Outpatient Revenue** | | | | |
| Total Fee Collected (.825%) | $ 33,502,769 | $ 35,177,907 | $ 36,936,803 | $ 38,783,643 |
| Fee Deposited in State Special (50%) for ME | $ 16,751,385 | $ 17,588,954 | $ 18,468,402 | $ 19,391,822 |
| Fee Deposited in State Special (50%) Authorized in 53-6-149, MCA | $ 16,751,384 | $ 17,588,953 | $ 18,468,401 | $ 19,391,821 |
| **Total Fee Collected** | **$ 33,502,769** | **$ 35,177,907** | **$ 36,936,803** | **$ 38,783,643** |
| **Fee Depositied in State Special (50%) Authorized in 53-6-149, MCA** | | | | |
| Allocation of Outpatient Tax Standard Medicaid | $ 8,296,791 | $ 11,652,096 | $ 12,234,701 | $ 12,846,436 |
| Allocation of Outpatient Tax Medicaid Expansion | $ 8,454,593 | $ 5,936,857 | $ 6,233,700 | $ 6,545,385 |
| **Total Fee Allocated** | **$ 16,751,384** | **$ 17,588,953** | **$ 18,468,401** | **$ 19,391,821** |

c. HB 658 Section 38 requires premium payments by all participants. Based on the February 1, 2019 enrollment, the department estimates the premium payments would be $687,555 per month. Assuming participation decreases based on assumption 1, the premium collection is estimated to be $343,777 per month. Premium collections are expected to grow commensurate with Montana population growth, estimated at approximately 1% per year.

d. HB 658 continues the increased MCDC third party collections generated from billing Medicaid Expansion for enrolled members. The department assumes members being served at the facility would be exempt from community engagement requirements.

| **Other Revenue** | **FY 2020** | **FY 2021** | **FY 2022** | **FY 2023** |
|---|---|---|---|---|
| Premium Collections | $ 4,215,324 | $ 4,166,577 | $ 4,208,243 | $ 4,250,325 |
| Facility Reimbursement | $ 1,917,111 | $ 1,936,282 | $ 1,955,645 | $ 1,975,201 |
| **Total Revenue Collection** | **$6,132,435** | **$6,102,859** | **$6,163,888** | **$6,225,526** |

## Department of Labor and Industry

*HELP-Link Program*

11. Through HELP-Link and associated workforce training programs provided by the Department of Labor and Industry (DLI), approximately 30,000 Montanans under Medicaid Expansion have received services. These

services focused on identifying workforce development and training opportunities. The DLI workforce development program has concentrated on the specific labor force needs within the state.

12. Under the existing HELP-Link funding, the department has served approximately 3,500 people over the last 30 months, with approximately 600 of those receiving training.
13. Section 25 of the bill extends the current HELP-Link program. Under the proposed community engagement activity requirements in Section 1, DLI assumes that the population served would increase to approximately 4,000 people each year with approximately 1,000 receiving training services.
14. DLI currently utilizes a staffing structure in which any employment specialist within any job service office is trained to aid HELP-Link clients. Under the current structure, the department is utilizing the equivalent of approximately 5 FTE to serve the existing population.
15. In order to serve the increased population, DLI will need to hire an additional 5.0 FTE for employment specialists, each with annual salary and benefits of $52,201.
16. The increased size of the program would necessitate a dedicated, full-time program manager (1.00 FTE) to oversee and coordinate the program. Annual salary and benefits for this position equal $78,213.
17. Increased demand for assistance from the Research and Analysis Bureau will require an additional 0.50 FTE for an economist, with annual salary and benefits of $51,730.
18. Each of the 6.5 new employees would require a new desk and a new computer, estimated at $2,800 per employee, for a total of $18,200.
19. In FY 2018, the HELP-Link program incurred approximately $50,000 in direct operating expenses. With a larger staff size, and an increase in population served, the department is anticipating that direct operating expenses will increase by approximately $100,512 per year. This includes $30,689 for the DLI cost allocation program calculated at 7.85% of personal services, $13,650 in rent, $20,748 in technology services costs calculated at $266 per month per FTE, $19,013 in ITSD costs, $7,800 in phone and internet costs, $3,900 in other fixed costs such as insurance and $4,712 in miscellaneous supplies.
20. Other general administrative and management costs typically equate to approximately 7.5% of program personnel services and operating costs. At a total estimated cost for this program in service delivery, the general administrative and management costs are estimated to increase by $36,859.
21. To adequately train staff for the increase in services provided, as well as reporting responsibilities, it is estimated the program manager would need to travel to each Job Service office two times per year. This is estimated to be $12,208 per year for hotel, motor pool and per diem costs.
22. Due to the increased population eligible for this program, along with reporting requirements, DLI would need to increase outreach efforts. It is estimated that $50,000 per year will be required for marketing and outreach.
23. DLI will need to change current IT systems to have a way to capture employment readiness forms from DPHHS to assist with workforce development activities. DLI estimates these system changes will include 130 hours of development time performed by DLI IT staff at a cost of $84/hour for a total cost of $10,920.
24. DLI assumes approximately 25% of the clients utilizing the HELP-Link program to meet their community engagement requirement would receive training to gain or retain employment. The average cost of training and supportive services per client trained in general workforce programs is approximately $3,000 per person. With an anticipated 1,000 people participating in training each year, it is estimated to cost approximately $3,000,000 per year.
25. Section 25 of the bill removes the sunset on the requirement that DLI provide knowledge-based authentication for verifying the identity and employment status of individuals seeking benefits, including the use of public records to confirm identity and to flag changes in demographics. DLI is currently paying $325,000 per year for this service and is assuming the costs will continue at this same rate in FY 2020 and subsequent years.
26. The department currently has $888,531 of restricted state special appropriation to be used for the workforce development program associated with Medicaid expansion.

*One-Time Information Technology Costs*

27. The department will utilize DLI Technology Service Division (TSD) staff to develop interface between UI benefits application (MISTICS) and STAARS to create new cross-matches/data exports and secure transfer

for DPHHS to receive information submitted by claimants on a weekly or biweekly basis to obtain UI benefits. This would satisfy "activities required to obtain unemployment insurance" in new section 1(2)(b) and new section 4(5)(b) and include weekly job search information, job-or-union-attached status, hours and earnings if working and receiving partial benefits, and other eligibility requirements for a claimant who is subject to Section 1 community engagement requirement. The department anticipates $16,800 in technology costs, based on 200 work hours at approved contract rates of $84 per hour. Work will begin July 1, 2019.

28. Changes to the current DLI IT systems would also be required to capture and report the number of hours individuals are participating in workforce activities and training programs within the Workforce Services Division. This information is not currently captured by DLI. DLI estimates these system changes will include 530 hours of development time performed by DLI IT staff at a cost of $84/hour for a total cost of $44,520.
29. The department and DPHHS will enter into a new data-sharing agreement that meets federal requirements for disclosure of confidential unemployment compensation information under 20 CFR Chapter V Part 603.

*Employer Grant Program*

30. HB 658 assigns the HELP Act employer grant program administration to DLI.
31. The administration of the employer grant program would require a new 1.0 FTE for an administrative specialist, with annual salary and benefits of $78,213.
32. Operating costs include $6,140 for the DLI cost allocation plan calculated at 7.85% of personal services, $1,400 for rent, $3,192 in technology services costs calculated at $266 per month per FTE, $2,925 in ITSD costs, $1,200 in telephone and email costs, $600 for other fixed costs such as insurance and $725 in miscellaneous supply costs.
33. The Workforce Services Division (WSD) management and central office costs are estimated at approximately 7.5% of total program personal services and operating costs for a total annual expenditure of $7,198.
34. This position would require one-time-only start-up operating costs of $2,800 including $1,600 for furniture and $1,200 for a computer.
35. DLI would use the Webgrants application as the online platform to apply for and award grants. DLI currently uses this platform for the Incumbent Worker Training program. In order to set up a new program within this platform, it would cost approximately $10,000 as a one-time-only cost in the first year. It would cost $1,575 per year on an ongoing basis to utilize the platform.
36. DLI anticipates employer outreach to promote the grant program and provide information on grant award criteria. An annual cost of $50,000 would be required for this outreach.
37. One-time-only administrative rule-making costs are estimated to be $11,200. This includes 100 hours of DLI legal time at $97/hour to develop, promulgate and adopt the initial rules to implement the program, at a cost of $9,700. This also includes $1,500 to file a 20-page proposal with the Secretary of State's Office and a 5-page adoption notice for the rule-making process. The current rate for these filings is $60/page.
38. HB 658 appropriates $3.5 million for the 2021 biennium. DLI assumes this funding would be used for administration and grants for the employer grant program and would be split evenly between the two fiscal years in the biennium. After administrative costs, DLI would award $1,572,832 in grants in FY 2020 and $1,596,832 in grants in FY 2021.

**Department of Corrections**

39. Participants are exempt from the 80-hour community engagement activity requirement if they are incarcerated in a state prison as defined in 53-30-101, MCA. The 80-hour requirement can be satisfied if the participant is in a community corrections program providing the services listed in 53-30-303(2)(b), MCA.
40. The Department of Corrections is unable to quantify a fiscal impact from this proposed legislation.

**Department of Revenue (DOR)**

41. HB 658 changes the taxpayer integrity fee listed in 15-30-2660, MCA.
42. Under current law, a participant in the HELP Act is required to pay a fee if they have assets that exceed the following: $250,000 in market value for a primary residence and attached property, one light vehicle and $50,000 in cash and cash equivalents.

43. If the participant in the HELP Act meets all three requirements, they are required to pay a monthly fee equal to $100 plus an additional $4 per month for each $1,000 in assets above the amounts established in assumption 46.
44. HB 658 continues the taxpayer integrity fee but changes the asset qualifications for participants in the HELP Act.
45. Under HB 658, a participant in the HELP Act is required to pay a fee if they have assets that exceed any one of the following: $250,000 in market value for real property or improvements to real property, more than one light vehicle which have a combined depreciated value of at least $20,000, or agricultural land with a taxable value in excess of $1,500 each year.
46. If the participant meets one of the requirements, they are required to pay a monthly fee of $100 plus $4 for any of the following: each $1,000 above the $250,000 real property limit, each $1,000 in depreciated value in for light vehicles, or each $100 of taxable value above $1,500 for agricultural land.
47. The Department of Revenue does not currently have vehicle registration records, so it cannot determine the number of HELP Act participants who would meet this qualification.
48. Based on Department of Revenue property tax records, income tax records, and HELP Act participant records from DPHHS, the department estimates that approximately 300 HELP Act participants in 2017 would have met either the real property or agricultural land requirements for the integrity fee.
49. Based on 2017 tax records, the department estimates the 300 people who would qualify for the integrity fee would be required to pay approximately $148,200 in monthly fees.
50. Assuming each taxpayer continued participating in the HELP Act all year, the $148,200 in monthly fees would generate $1,778,000 in revenue each fiscal year. A breakdown of the 300 individuals by the monthly fee they are estimated to be liable for is provided in the table below.

| Figure 1<br>Estimated Taxpayer Integrity Fees | | | | | |
|---|---|---|---|---|---|
| Monthly Fee Amount | | | | | Annual Fees |
| At Least | Less Than | Number | Combined Fees | Average Fee | |
| | $250 | 119 | $19,086 | $160 | $229,000 |
| $250 | $500 | 79 | $28,295 | $358 | $340,000 |
| $500 | $750 | 39 | $22,840 | $586 | $274,000 |
| $750 | $1,000 | 29 | $25,422 | $877 | $305,000 |
| $1,000 | $1,250 | 11 | $12,784 | $1,162 | $153,000 |
| $1,250 | | 23 | $39,726 | $1,727 | $477,000 |
| Total | | 300 | $148,151 | $494 | $1,778,000 |

51. The DOR expects to collect 75% of the taxpayer integrity fees that are due each year.
52. Based on the 300 identified individuals who would have been liable for the new taxpayer integrity fee in 2017, and a 75% collection rate, the taxpayer integrity fee created in HB 658 will generate $1,332,000 in revenue each fiscal year.
53. With the information provided by the Department of Public Health and Human Services, DOR will begin collecting the integrity fee beginning FY 2020.
54. HB 658 also expands the taxpayer integrity fee to include entities organized as an 501(d) if the organization had any members who are receiving Medicaid coverage under the HELP Act.
55. Under the proposed bill, 501(d) organizations with HELP Act participants would be required to pay a fee that is equal to the state's share of the annual cost per HELP Act participant multiplied by the number of their members receiving Medicaid coverage less the total annual amount the members paid in premiums.
56. The federal Internal Revenue Service reports there are currently 69 501(d) organizations in the state of Montana.

57. DOR does not currently have information on the number of members in 501(d) organizations covered under the HELP Act, the state's share of the average annual cost per program participant, or the amount of premiums paid by each organization's members. Because of this, the DOR is currently unable to estimate the revenue impact associated with this change to the integrity fee.
58. All revenue from the integrity fee will be deposited into the Montana HELP Act special revenue account provided for in HB 658.
59. Costs to modify the integrated tax processing software necessary for the implementation and administration of the changes in the bill are $550,000 in FY 2020.

**Montana State Fund (MSF)**

60. Under current law, the Montana State Fund (MSF) is a nonprofit independent public corporation and a governmental entity that serves as the guaranteed market for workers' compensation insurance and is exempt from the requirement to pay a premium tax.
61. Beginning July 1, 2019, HB 658 requires MSF to pay the 2.75% tax on net premiums as prescribed in 33-2-705, MCA, with the money deposited into the HELP Act state special revenue account.
62. The 2.75% tax on net premiums is an underwriting expense that will be built into MSF's rate structure in future rate years and paid by policyholders.
63. Insurance premium tax transfers to the state special revenue account for Medicaid expansion MSF will be $3,326,000 in FY 2020, $3,786,000 in FY 2021, $3,853,000 in FY 2022, and $3,920,000 in FY 2023.

**Office of Budget and Program Planning (OBPP)**

64. Under current law, health services corporations (HSCs) as defined in 33-30-101, MCA, are exempt from paying insurance premium taxes.
65. HB 658 directs HSCs to pay a 1% fee on net premium income to the State Auditor's Office to be deposited into the state special revenue account for Medicaid expansion.
66. Using premium and market data from the State Auditor's Office, OBPP estimates that the new 1% premium tax will generate $4,340,000 in FY 2020, $4,800,000 in FY 2021, $5,320,000 in FY 2022, and $5,880,000 in FY 2023.
67. The fiscal summary table on page one reflects the additional general fund needed due to the lack of state special revenue funds generated by HB 658 to cover the costs of this Medicaid Expansion program. As a result, the fiscal summary table on page one and the summary fiscal table on page 14 do not tie for general fund and state special revenue expenditures. The fiscal summary on page one reflects the net cost by fund type to the state.

| **DPHHS** | **FY 2020 Difference** | **FY 2021 Difference** | **FY 2022 Difference** | **FY 2023 Difference** |
|---|---|---|---|---|
| **Fiscal Impact:** | | | | |
| **FTE** | 77.00 | 77.00 | 77.00 | 77.00 |
| **Expenditures:** | | | | |
| Personal Services | $12,073,975 | $12,179,260 | $12,278,046 | $12,356,798 |
| Operating Expenses | $12,525,234 | $9,701,611 | $10,443,958 | $11,450,982 |
| Benefits | $572,756,684 | $530,773,705 | $538,293,543 | $546,067,450 |
| **TOTAL Expenditures** | $597,355,893 | $552,654,576 | $561,015,547 | $569,875,230 |
| **Funding of Expenditures:** | | | | |
| General Fund (01) | $4,191,365 | $6,721,717 | $6,124,328 | $5,539,405 |
| State Special Revenue (02) | $55,644,403 | $55,757,756 | $57,657,271 | $59,651,762 |
| Federal Special Revenue (03) | $537,520,125 | $490,175,104 | $497,233,948 | $504,684,062 |
| **TOTAL Funding of Exp.** | $597,355,893 | $552,654,577 | $561,015,547 | $569,875,229 |
| **Revenues:** | | | | |
| General Fund (01) | $4,125,324 | $4,166,577 | $4,208,243 | $4,250,325 |
| State Special Revenue (02) | $44,444,920 | $46,139,229 | $47,917,488 | $49,783,884 |
| Federal Special Revenue (03) | $537,520,125 | $490,175,104 | $497,233,948 | $504,684,062 |
| **TOTAL Revenues** | $586,090,369 | $540,480,910 | $549,359,679 | $558,718,271 |

| **DLI** | **FY 2020 Difference** | **FY 2021 Difference** | **FY 2022 Difference** | **FY 2023 Difference** |
|---|---|---|---|---|
| **Fiscal Impact:** | | | | |
| **FTE** | 7.50 | 7.50 | 7.50 | 7.50 |
| **Expenditures:** | | | | |
| Personal Services | $440,153 | $440,153 | $440,153 | $440,153 |
| Operating Expenses | $513,087 | $398,647 | $398,647 | $398,647 |
| Grants | $1,572,832 | $1,596,832 | $1,596,832 | $1,596,832 |
| Benefits | $2,700,000 | $2,700,000 | $2,700,000 | $2,700,000 |
| **TOTAL Expenditures** | $5,226,072 | $5,135,632 | $5,135,632 | $5,135,632 |
| **Funding of Expenditures:** | | | | |
| General Fund (01) | $3,476,072 | $3,385,362 | $3,385,362 | $3,385,362 |
| State Special Revenue (02) | $1,750,000 | $1,750,000 | $1,750,000 | $1,750,000 |
| **TOTAL Funding of Exp.** | $5,226,072 | $5,135,362 | $5,135,362 | $5,135,362 |
| **Revenues:** | | | | |
| General Fund (01) | $0 | $0 | $0 | $0 |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| **TOTAL Revenues** | $0 | $0 | $0 | $0 |

| DOR | FY 2020 Difference | FY 2021 Difference | FY 2022 Difference | FY 2023 Difference |
|---|---|---|---|---|
| **Fiscal Impact:** | | | | |
| **Expenditures:** | | | | |
| Operating Expenses | $550,000 | $0 | $0 | $0 |
| **TOTAL Expenditures** | $550,000 | $0 | $0 | $0 |
| **Funding of Expenditures:** | | | | |
| General Fund (01) | $550,000 | $0 | $0 | $0 |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| **TOTAL Funding of Exp.** | $550,000 | $0 | $0 | $0 |
| **Revenues:** | | | | |
| General Fund (01) | $0 | $0 | $0 | $0 |
| State Special Revenue (02) | $1,332,000 | $1,332,000 | $1,332,000 | $1,332,000 |
| **TOTAL Revenues** | $1,332,000 | $1,332,000 | $1,332,000 | $1,332,000 |

| HB 658 STATEWIDE | FY 2020 Difference | FY 2021 Difference | FY 2022 Difference | FY 2023 Difference |
|---|---|---|---|---|
| **Fiscal Impact:** | | | | |
| **FTE** | 84.50 | 84.50 | 84.50 | 84.50 |
| **Expenditures:** | | | | |
| Personal Services | 12,514,128 | 12,619,413 | 12,718,199 | 12,796,951 |
| Operating Expenses | 13,588,321 | 10,100,258 | 10,842,605 | 11,849,629 |
| Grants | 1,572,832 | 1,596,832 | 1,596,832 | 1,596,832 |
| Benefits | 575,456,684 | 533,473,705 | 540,993,543 | 548,767,450 |
| **TOTAL Expenditures** | $603,131,965 | $557,790,208 | $566,151,179 | $575,010,862 |
| **Funding of Expenditures:** | | | | |
| General Fund (01) | 8,217,437 | 10,107,079 | 9,509,690 | 8,924,767 |
| State Special Revenue (02) | 57,394,403 | 57,507,756 | 59,407,271 | 61,401,762 |
| Federal Special Revenue (03) | 537,520,125 | 490,175,104 | 497,233,948 | 504,684,062 |
| **TOTAL Funding of Exp.** | $603,131,965 | $557,789,939 | $566,150,909 | $575,010,591 |
| **Revenues:** | | | | |
| General Fund (01) | 4,125,324 | 4,166,577 | 4,208,243 | 4,250,325 |
| State Special Revenue (02) | 49,102,920 | 51,257,229 | 53,102,488 | 55,035,884 |
| Federal Special Revenue (03) | 537,520,125 | 490,175,104 | 497,233,948 | 504,684,062 |
| **TOTAL Revenues** | $590,748,369 | $545,598,910 | $554,544,679 | $563,970,271 |
| **Net Impact to Fund Balance (Revenue minus Funding of Expenditures):** | | | | |
| General Fund (01) | ($4,092,113) | ($5,940,502) | ($5,301,447) | ($4,674,442) |
| State Special Revenue (02) | ($8,291,483) | ($6,250,527) | ($6,304,783) | ($6,365,878) |
| Federal Special Revenue (03) | $0 | $0 | $0 | $0 |

**Technical Notes:**

**Department of Public Health and Human Services**

1. Pursuant to 42 CFR 447.55 and 447.56, the Centers for Medicare and Medicaid (CMS) must approve the premium structure.
2. HB 658, Section 31, the date restriction of May 5th of each year will hinder the department in calculating the final Upper Payment Limits (UPL) for each hospital. The department calculates the UPL limits using data through each state fiscal year end. It will be unknown how close the hospitals' total payments for inpatient and for outpatient will be to these limits.
3. HB 658 may require an independent evaluation due to the requirements from CMS for the 1115 HELP demonstration waiver. This would be in accordance with Section 1115 (a) of the Social Security Act. The state must use measures from nationally-recognized sources and those from national measures sets (including CMS's Core Set of Health Care Quality Measures for Children in Medicaid and CHIP, Consumer Assessment of Healthcare Providers and Systems (CAHPS) and the Initial Core Set of Health Care Quality Measures for Medicaid-Eligible Adults); and/or measures endorsed by National Quality Forum (NQF) where possible. This evaluation is estimated at $2,506,828 over a four-year period. It is funded at 50% general fund and 50% at federal funding and is not included in the fiscal summary.

**Department of Corrections**

4. Under MCA 53-6-3112 - healthcare services payment schedules, the Department of Corrections health care services are paid at rates adopted by the Medicaid program under Title 53, chapter 6, part 1. This statute terminates on June 30, 2019. If this section is not included in HB 658, the department may see an increase in rates paid to medical providers. In calendar 2018, there were 3,709 documented external medical services referrals paid at the rates in this statute.

**Department of Revenue**

5. HB 658 stipulates that the Department of Public Health and Human Services (DPHHS) and the Department of Justice will provide the department with information necessary to enforce the taxpayer integrity fee. This fiscal note assumes the department will be able to receive this information when estimating the fee.

| | | TL | 3/21/19 |
|---|---|---|---|
| *Sponsor's Initials* | *Date* | *Budget Director's Initials* | *Date* |

GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

# Dedication of Revenue 2021 Biennium

**17-1-507, MCA.**

a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?**
Yes

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?** This fund structure will result in accounting efficiencies.

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**
No

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

e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?**
No

f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need?**
Unknown

g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?**
This fund will be subject to standard accounting and auditing.