



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill # HB0425

Title: Revise and make permanent Medicaid expansion

Primary Sponsor: Caferro, Mary

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

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
Expenditures:				
General Fund	\$13,319,508	\$19,766,615	\$19,330,706	\$18,910,330
State Special Revenue	\$47,603,986	\$49,532,933	\$51,558,328	\$53,684,992
Federal Special Revenue	\$765,757,414	\$771,433,990	\$783,628,117	\$796,342,335
Revenue:				
General Fund	\$5,336,813	\$5,390,181	\$5,444,083	\$5,498,524
State Special Revenue	\$47,603,986	\$49,532,933	\$51,558,328	\$53,684,992
Federal Special Revenue	\$765,757,414	\$771,433,990	\$783,628,117	\$796,342,335
Net Impact-General Fund Balance:	<u>(\$7,982,695)</u>	<u>(\$14,376,434)</u>	<u>(\$13,886,623)</u>	<u>(\$13,411,806)</u>

Description of fiscal impact: HB 425 eliminates the sunset in statute for the Montana Medicaid expansion program. The bill continues healthcare coverage for low income Montanans, increases fees, continues the workforce development program (HELP Link), and establishes a state special fund to be used as the state match for Montana Medicaid Expansion.

FISCAL ANALYSIS

Assumptions:

Department of Public Health and Human Services (DPHHS)

1. Enrollment

- a) As of February 1, 2019, 96,182 low-income Montanans are enrolled in Medicaid Expansion. In FY 2019, programmatic saturation is expected to occur resulting in approximately 100,000 estimated covered lives per month. This estimate establishes the base for enrollment assumptions moving forward.
- b) The growing enrollment increase experienced over the first three years of the program resulting from the new program start-up has levelled off. 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 continue at existing levels. The table in assumption #4 includes health care services costs.
- 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 cost avoidance to standard Medicaid is 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) The table in assumption #4 includes health care services costs avoided in the standard Medicaid program.

3. Revenues

- a) HB 425 Section 2 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).

Estimated Inpatient Revenue	FY 2020	FY 2021	FY 2022	FY 2023
Additional Fee Deposited (\$20/Bed Day) Authorized in 53-6-149, MCA	\$9,025,040	\$9,025,040	\$9,025,040	\$9,025,040
Fee Deposited in State Special Authorized in 53-6-149				
Allocation of Inpatient Bed Days Medicaid - 48.37%	\$4,365,412	\$4,365,412	\$4,365,412	\$4,365,412
Allocation of Inpatient Bed Days Medicaid Expansion - 51.63%	\$4,659,628	\$4,659,628	\$4,659,628	\$4,659,628
Total Fee Allocated	\$9,025,040	\$9,025,040	\$9,025,040	\$9,025,040

- b) HB 425 Section 2 creates an outpatient services utilization fee equal to 0.95% of hospital outpatient revenue. The new state special revenue outpatient revenue is estimated to be \$38,578,946 in FY 2020.

Estimated Outpatient Revenue	FY 2020	FY 2021	FY 2022	FY 2023
Total Outpatient Fee Collected (0.95%) Section 2	\$38,578,946	\$40,507,893	\$42,533,288	\$44,659,952
Fee Deposited in State Special (50%) For ME	\$19,289,473	\$20,253,947	\$21,266,644	\$22,329,976
Fee Deposited in State Special (50%) Authorized in 53-6-149, MCA	\$19,289,473	\$20,253,946	\$21,266,644	\$22,329,976
Total Fee Collected	\$38,578,946	\$40,507,893	\$42,533,288	\$44,659,952
Fee Deposited in State Special (50%) Authorized in 53-6-149, MCA				
Allocation of Outpatient Tax Medicaid 49.53%	\$9,553,881	\$10,031,575	\$10,533,154	\$11,059,811
Allocation of Outpatient Tax Medicaid Expansion 50.47%	\$9,735,592	\$10,222,371	\$10,733,490	\$11,270,165
Total Fee Allocated	\$19,289,473	\$20,253,946	\$21,266,644	\$22,329,976

- c) HB 425 continues premium payments by certain members. The amount of premium payments collected is estimated to be \$5,283,973 in general fund revenue in FY 2019. Premium collections are expected to grow commensurate with Montana population growth, estimated at approximately 1% per year.
- d) HB 425 continues the increased MCDC third party collections generated from billing for Medicaid expansion for enrolled members.

Other Revenue	FY 2020	FY 2021	FY 2022	FY 2023
Premium Collections	\$5,336,813	\$5,390,181	\$5,444,083	\$5,498,524
Facility Reimbursement	\$1,917,111	\$1,936,282	\$1,955,645	\$1,975,201
Total Other Revenue Collection	\$7,253,924	\$7,326,463	\$7,399,728	\$7,473,725

4. Health Care Services are estimated as follows:

Health Care Services	FY 2020	FY 2021	FY 2022	FY 2023
Adult Mental Health and Chem Dep	\$49,286,551	\$49,776,894	\$50,274,662	\$50,777,409
Critical Access Hospital	\$61,493,145	\$62,104,929	\$62,725,978	\$63,353,238
Dental & Denturists	\$25,254,828	\$25,506,083	\$25,761,144	\$26,018,755
Drug Rebates	(\$87,717,831)	(\$88,569,098)	(\$89,454,789)	(\$90,349,337)
Drugs	\$142,608,010	\$144,026,789	\$145,467,057	\$146,921,727
Durable Medical Equipment	\$5,108,763	\$5,159,589	\$5,211,185	\$5,263,297
Indian Health Services - 100% Fed funds	\$68,381,740	\$74,565,319	\$75,310,972	\$76,064,082
Inpatient Hospital	\$77,762,423	\$78,536,066	\$79,321,427	\$80,114,641
Facilities - 100% Fed funds	\$2,131,566	\$2,150,737	\$2,172,245	\$2,193,967
Medicaid Reimbursement (MCA 53-6-149)	\$108,666,766	\$105,018,409	\$106,068,593	\$107,129,279
Medicaid Reimbursement New Inpatient	\$46,596,280	\$46,596,280	\$46,596,280	\$46,596,280
Medicaid Reimbursement Outpatient	\$97,355,920	\$102,223,710	\$107,334,900	\$112,701,650
Nursing Homes & Swing Beds	\$6,370,165	\$6,433,541	\$6,497,876	\$6,562,855
Other Acute Services	\$13,858,712	\$13,996,590	\$14,136,556	\$14,277,921
Other Hospital and Clinical Services	\$41,293,849	\$39,585,353	\$39,981,207	\$40,381,019
Other Managed Care Services	\$11,178,965	\$11,290,182	\$11,403,084	\$11,517,115
Other Practitioners	\$25,242,804	\$25,493,939	\$25,748,879	\$26,006,367
Other SLTC Home Based Services	\$1,723,842	\$1,740,992	\$1,758,402	\$1,775,986
Outpatient Hospital	\$77,200,960	\$77,969,017	\$78,748,707	\$79,536,194
Personal Care	\$1,329,757	\$1,342,987	\$1,356,417	\$1,369,981
Physician & Psychiatrists	\$70,061,928	\$70,758,961	\$71,466,550	\$72,181,216
School Based Services - 100% Fed funds	\$11,532	\$12,019	\$12,139	\$12,261
Medicaid Expansion Subtotal	\$845,200,675	\$855,719,287	\$867,899,470	\$880,405,903
25 - 50% Federal Poverty Level Family	(\$23,069,878)	(\$23,168,782)	(\$23,400,470)	(\$23,634,475)
HIFA/SDMI	(\$22,272,259)	(\$22,411,551)	(\$22,635,667)	(\$22,862,023)
Medically Needy	(\$4,806,973)	(\$4,438,954)	(\$4,483,344)	(\$4,528,177)
Pregnant Women	(\$28,157,618)	(\$28,380,693)	(\$28,664,500)	(\$28,951,145)
Breast and Cervical	(\$4,506,307)	(\$4,801,018)	(\$4,849,029)	(\$4,897,519)
Health Care Services Payment Schedule	(\$1,026,251)	(\$1,067,301)	(\$1,077,974)	(\$1,088,754)
Medicaid Cost Avoidance Subtotal	(\$83,839,286)	(\$84,268,300)	(\$85,110,983)	(\$85,962,093)
Medicaid Reimbursement Outpatient	\$27,126,295	\$28,842,941	\$30,285,089	\$31,799,342
Medicaid Reimbursement New Inpatient	\$12,394,696	\$12,551,501	\$12,551,501	\$12,551,501
Medicaid (Standard HB 2) Subtotal	\$39,520,991	\$41,394,442	\$42,836,590	\$44,350,843
Total Health Care Services	\$800,882,380	\$812,845,429	\$825,625,077	\$838,794,653

Health care services are grouped in the following table by matching source:

- a) Enhanced FMAP - SSR Match HB2
 - i) Includes health care service payments matched with state special revenue 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 HB2
 - i) Includes health care service payments matched with state special revenue 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
 - i) Includes health care service payments matched with the state special revenue funds collected in accordance with Section 2 (3)(b), the state special revenue account provided for in 53-6-1304, MCA, which is Medicaid Expansion.
- d) Enhanced FMAP – GF Match
 - 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 (e.g. school based services).
- 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	\$108,666,766	\$105,018,409	\$106,068,593	\$107,129,279
Enhanced FMAP - SSR Match New HB2	\$143,952,200	\$148,819,990	\$153,931,180	\$159,297,930
Enhanced FMAP - SSR Match Statutory	\$220,451,120	\$202,539,470	\$212,666,440	\$223,299,760
Enhanced FMAP - GF Match Statutory	\$301,605,751	\$322,613,343	\$317,737,901	\$312,408,624
FMAP - GF Match HB2	(\$83,839,286)	(\$84,268,300)	(\$85,110,983)	(\$85,962,093)
FMAP - SSR Match New HB2	\$39,520,991	\$41,394,442	\$42,836,590	\$44,350,843
Federal - Leveraged Match	\$2,143,098	\$2,162,756	\$2,184,384	\$2,206,228
100% Federal - IHS Statutory	\$68,381,740	\$74,565,319	\$75,310,972	\$76,064,082
Total Health Care Services by Matching Source	\$800,882,380	\$812,845,429	\$825,625,077	\$838,794,653

5. The following table identifies the federal Medicaid assistance percentages (FMAP) used in this fiscal note. The federal fiscal year rates are used for Medicaid reimbursements for hospitals.

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%	34.78%	34.78%	34.78%

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/Statutory	\$26,390,503	\$32,261,334	\$31,773,790	\$31,240,862
General Fund/HB2	(\$29,402,438)	(\$29,367,503)	(\$29,661,178)	(\$29,957,789)
General Fund Subtotal	(\$3,011,934)	\$2,893,832	\$2,112,612	\$1,283,073
State Special/HB2 New OP for HB2 and \$20 IP	\$28,314,513	\$29,278,986	\$30,291,684	\$31,355,016
State Special/Stat New Outpatient for Medicaid Exp.	\$19,289,473	\$20,253,947	\$21,266,644	\$22,329,976
State Special Subtotal	\$47,603,986	\$49,532,933	\$51,558,328	\$53,684,992
Federal/HB2	(\$68,296,860)	(\$69,326,761)	(\$70,378,357)	(\$71,460,572)
Federal/Statutory IHS	\$68,381,740	\$74,565,319	\$75,310,972	\$76,064,082
Federal/Statutory	\$756,205,448	\$755,180,106	\$767,021,522	\$779,223,078
Federal Subtotal	\$756,290,328	\$760,418,664	\$771,954,137	\$783,826,588
Total Health Care Services	\$800,882,380	\$812,845,429	\$825,625,077	\$838,794,653

7. Administrative Costs

- 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 average number of participants subject to premiums in FY 2019 is 20,000 per month. This is expected to grow at approximately 1% per year. The average cost for this function is estimated to be \$3.50 per member per month in FY 2020. This is expected to grow at an average of 2.5% per year.
 - ii. Claims Processing and Data Analytics: The average monthly enrollment for FY 2019 is expected to reach saturation at 100,000 covered lives per month. 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 #6. The estimated total premiums are found in assumption #3. 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 cost \$24,778,479 in FY 2020 and \$27,406,709 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. Administrative Expense is funded as follows:

Administrative Expense by Category	FY 2020	FY 2021	FY 2022	FY 2023
Premium Billing	\$822,516	\$850,328	\$881,086	\$908,484
Claims Processing and Data Analytics	\$7,581,337	\$10,033,641	\$10,842,404	\$11,899,186
Premium Collections Payment to Federal Fund	\$4,870,375	\$4,851,163	\$4,899,675	\$4,948,671
Other Administration	\$9,524,301	\$9,152,977	\$9,268,909	\$9,386,664
Administrative Expense Total	\$22,798,529	\$24,888,110	\$25,892,074	\$27,143,005
Administrative Expense by Fund Source				
General Fund	\$13,331,443	\$13,872,784	\$14,218,093	\$14,627,257
Federal Fund	\$9,467,086	\$11,015,326	\$11,673,980	\$12,515,747
Total Funding	\$22,798,529	\$24,888,110	\$25,892,074	\$27,143,005

9. Personal services and a portion of operating costs are assumed to cover the current modified FTE, plus the cost-allocation funding of permanent FTE.

Department of Labor and Industry (DLI)

- 10. The department anticipates adding five FTE, Band 5 Employment Specialists, to operate an expanded HELP Link program. Estimated annual salary and benefits for these positions equal \$261,000 per year.
- 11. The department anticipates adding one FTE, Band 6 Administrative Specialist, to oversee and coordinate this program, as well as provide additional outreach to individuals who would be eligible for this workforce development program. The estimated annual salary and benefits for this position equals \$78,200.
- 12. The DLI anticipates operating costs of \$195,158, including \$120,158 associated with the expanded program and \$75,000 for additional outreach efforts.
- 13. The department estimates that the remainder of the authority in the bill will be spent in the grants expenses, which account for participant training and supportive service expenses.
- 14. 17-1-508, MCA, requires analysis of the statutory appropriation relative to the guidance in 17-1-508(3), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines. Answer yes or no to each of the following guidelines regarding the statutory appropriation:

	<u>YES</u>	<u>NO</u>
a. The money is from a continuing, reliable, and estimable source.	X	
b. The use of the appropriation or the expenditure occurrence is predictable and reliable.	X	
c. The authority exists elsewhere.		X
d. An alternative appropriation method is available, practical, or effective.	X	
e. It appropriates state general fund money for purposes other than paying for emergency services.	X	
f. The money is used for general purposes.		X
g. The legislature wishes to review expenditure and appropriation levels each biennium.	X	
h. An expenditure cap and sunset date are excluded.	X	




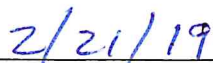
Fiscal Note Request – As Introduced

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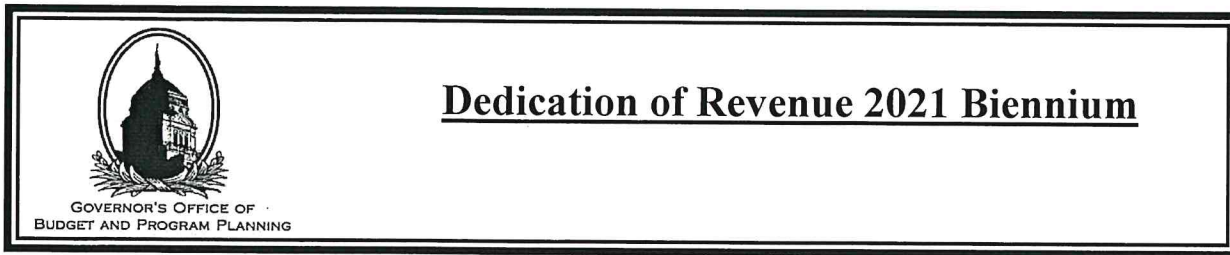
	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<u>DPHHS - Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services	\$2,664,178	\$2,625,839	\$2,653,078	\$2,679,227
Operating Expenses	\$14,832,494	\$17,230,448	\$18,133,433	\$19,282,418
Benefits	\$806,184,237	\$817,877,252	\$830,730,639	\$843,976,012
TOTAL Expenditures	\$823,680,908	\$837,733,539	\$851,517,151	\$865,937,658
<u>Funding of Expenditures:</u>				
General Fund (01)	\$10,319,508	\$16,766,615	\$16,330,706	\$15,910,330
State Special Revenue (02)	\$47,603,986	\$49,532,933	\$51,558,328	\$53,684,992
Federal Special Revenue (03)	\$765,757,414	\$771,433,990	\$783,628,117	\$796,342,335
TOTAL Funding of Exp.	\$823,680,908	\$837,733,539	\$851,517,151	\$865,937,658
<u>Revenues:</u>				
General Fund (01)	\$5,336,813	\$5,390,181	\$5,444,083	\$5,498,524
State Special Revenue (02)	\$47,603,986	\$49,532,933	\$51,558,328	\$53,684,992
Federal Special Revenue (03)	\$765,757,414	\$771,433,990	\$783,628,117	\$796,342,335
TOTAL Revenues	\$818,698,213	\$826,357,104	\$840,630,528	\$855,525,851

	<u>FY 2020</u> <u>Difference</u>	<u>FY 2021</u> <u>Difference</u>	<u>FY 2022</u> <u>Difference</u>	<u>FY 2023</u> <u>Difference</u>
<u>DLI - Fiscal Impact:</u>				
FTE	6.00	6.00	6.00	6.00
<u>Expenditures:</u>				
Personal Services	\$339,200	\$339,200	\$339,200	\$339,200
Operating Expenses	\$195,158	\$195,158	\$195,158	\$195,158
Grants	\$2,465,642	\$2,465,642	\$2,465,642	\$2,465,642
TOTAL Expenditures	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
<u>Funding of Expenditures:</u>				
General Fund (01)	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
TOTAL Funding of Exp.	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
TOTAL Revenues	\$0	\$0	\$0	\$0

STATEWIDE - Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	(\$7,982,695)	(\$14,376,434)	(\$13,886,623)	(\$13,411,806)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Sponsor's Initials Date Budget Director's Initials Date



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**
Yes
- 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?**
Yes
- 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.