GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2021 Biennium

Bill #	HB0658	**Title:**	Generally revise healthcare laws and permanently expand Medicaid
Primary Sponsor:	Buttrey, Edward	**Status:**	As Amended

☐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	$14,749,769	$19,125,636	$18,284,294	$17,424,650
State Special Revenue	$53,492,294	$58,025,569	$60,412,213	$62,927,194
Federal Special Revenue	$719,497,510	$722,286,130	$733,452,369	$745,013,729
Revenue:				
General Fund	$5,336,813	$5,390,181	$5,444,083	$5,498,524
State Special Revenue	$53,492,294	$58,025,569	$60,412,213	$62,927,194
Federal Special Revenue	$719,497,510	$722,286,130	$733,452,369	$745,013,729
Net Impact-General Fund Balance:	($9,412,956)	($13,735,455)	($12,840,211)	($11,926,126)

Description of fiscal impact: HB 658 continues the Montana Medicaid Expansion program providing healthcare coverage for low income Montanans while making substantive changes to the existing program. HB 658 creates a community engagement program for participating members, eliminates the current patient co-pay for participants, increases premiums for some members, 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 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:

1. Enrollment
   a. As of February 1, 2019, 96,182 low income Montanans are enrolled in Medicaid expansion. HB 658 establishes community engagement requirements for certain members and provides for exemptions for participation.
   b. Section 1 calls for 80 hours per month of community engagement activities for participants 19 – 55 years of age. Allowable activities include:
      i. Employment
      ii. Work readiness training
      iii. Secondary, postsecondary or vocational education
      iv. Substance use prevention education or treatment
      v. Other work or community activities that promote work, work readiness, or the health purpose of the Medicaid program
      vi. Community service or volunteer opportunity
      vii. Other activities as may be required by the Centers for Medicare and Medicaid Services.
   c. Section 1 provides a number of exemptions for participating in community engagement activities including:
      i. Medically frail
      ii. Blind or disabled
      iii. Pregnant
      iv. Experiencing an acute medical condition
      v. Mentally or physically unable to work
      vi. Primary caregiver
      vii. Foster parent
      viii. Student
      ix. Participating or exempt from the work requirements of the SNAP or TANF programs
      x. Under supervision of the Department of Corrections
      xi. Experiencing chronic homelessness
      xii. Victim of domestic violence
      xiii. Living in a high-poverty designated area
      xiv. Subject to certain fees
      xv. Otherwise exempt under federal law
      xvi. Income that exceeds the equivalent of earning an average of 80 hours per month at minimum wage
   d. The department is able to use existing administrative data to determine whether participants are meeting or are exempt from many of the community engagement requirements. Using currently available data, 88,019 individuals are meeting the community engagement requirements or exempt from those requirements. The remaining 8,163 participants would be required to participate in and report on community engagement activities to remain eligible for health care services. The department anticipates expanding data collection to include elements required by HB 658 and not currently tracked.
   e. Based on the experience of other states requiring work activities to remain eligible for health care coverage, the department estimates that 50% of these individuals will be unable to meet the community engagement activities, exemptions, or reporting requirements. This will result in the disenrollment of 4,081 enrollees from health coverage.

f. In FY 2019, programmatic saturation is expected to occur resulting in 100,000 estimated covered lives per month. Based on the assumption that 4% will lose coverage under HB 658, the base enrollment for assumptions moving forward is 96,000 estimated covered lives.
g. The growing enrollment increases 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 estimate at 1% per year.

2. Health Care Services
   a. Health care service utilization is expected to be reduced by 4% 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. Section 34 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. Based on assumption 1, the Department estimates future cost shift to be reduced by 4% of the FY 2018 cost avoidance.
3. Health Care Services are estimated as follows:

Health Care Services	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Adult Mental Health and Chem Dep	$47,315,089	$47,788,240	$48,266,123	$48,748,784
Critical Access Hospital	$59,033,420	$59,623,754	$60,219,991	$60,822,191
Dental & Denturists	$24,244,635	$24,487,081	$24,731,952	$24,979,271
Drug Rebates	($88,987,398)	($89,877,272)	($90,776,045)	($91,683,805)
Drugs	$136,903,690	$138,272,727	$139,655,454	$141,052,008
Durable Medical Equipment	$4,904,412	$4,953,457	$5,002,991	$5,053,021
Indian Health Services - 100% Fed funds	$65,646,470	$66,302,935	$66,965,964	$67,635,624
Inpatient Hospital	$74,651,926	$75,398,446	$76,152,430	$76,913,954
Facilities - 100% Fed funds	$2,046,303	$2,066,766	$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	$46,389,016	$46,404,506	$46,404,506	$46,404,506
Medicaid Reimbursement Outpatient	$84,545,930	$88,773,220	$93,211,890	$97,872,480
Nursing Homes & Swing Beds	$6,115,358	$6,176,512	$6,238,277	$6,300,660
Other Acute Services	$13,304,364	$13,437,408	$13,571,782	$13,707,499
Other Hospital and Clinical Services	$39,642,095	$40,038,516	$40,438,901	$40,843,290
Other Managed Care Services	$10,731,806	$10,839,124	$10,947,516	$11,056,991
Other Practitioners	$24,233,091	$24,475,422	$24,720,177	$24,967,378
Other SLTC Home Based Services	$1,654,888	$1,671,437	$1,688,152	$1,705,033
Outpatient Hospital	$74,112,921	$74,854,051	$75,602,591	$76,358,617
Personal Care	$1,276,567	$1,289,332	$1,302,226	$1,315,248
Physician & Psychiatrists	$67,259,451	$67,932,046	$68,611,366	$69,297,480
School Based Services - 100% Fed funds	$11,070	$11,181	$11,293	$11,406
Increase in cost due to elimination of co-pay	$1,708,546	$1,725,631	$1,779,735	$1,779,735
Medicaid Expansion Subtotal	**$805,410,418**	**$809,937,297**	**$821,208,374**	**$832,684,883**

25 - 50% Federal Poverty Level Family	($22,147,083)	($22,242,031)	($22,464,451)	($22,689,096)
HIFA/SDMI	($21,381,369)	($21,515,089)	($21,730,240)	($21,947,542)
Medically Needy	($4,614,694)	($4,261,396)	($4,304,010)	($4,347,050)
Pregnant Women	($27,031,313)	($27,245,465)	($27,517,920)	($27,793,099)
Breast and Cervical	($4,326,055)	($4,608,978)	($4,655,068)	($4,701,618)
Health Care Services Payment Schedule	($985,201)	($1,024,609)	($1,034,855)	($1,045,204)
Medicaid Cost Avoidance Subtotal	**($80,485,715)**	**($80,897,568)**	**($81,706,544)**	**($82,523,609)**
Medicaid Reimbursement New Outpatient	$23,557,044	$25,047,818	$26,300,207	$27,615,219
Medicaid Reimbursement New Inpatient	$12,133,322	$16,682,570	$16,682,570	$16,682,570
Medicaid Subtotal	**$35,690,366**	**$41,730,388**	**$42,982,777**	**$44,297,789**
Total Health Care Services	**$760,615,069**	**$770,770,117**	**$782,484,607**	**$794,459,063**

4. Health care services are grouped in the following table by matching source:
   a. Enhanced FMAP - SS Match HB2
      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 - SS Match New HB2
      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 – SS Match
      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
      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	$108,666,766	$105,018,409	$106,068,593	$107,129,279
Enhanced FMAP - SSR Match New HB2	$130,934,946	$135,177,726	$139,616,396	$144,276,986
Enhanced FMAP - SSR Match M/E Approp	$191,444,400	$175,889,540	$184,684,020	$193,918,220
Enhanced FMAP - GF Match M/E Approp	$306,660,462	$325,470,739	$321,689,862	$317,519,401

FMAP - GF Match HB2	($80,485,715)	($80,897,568)	($81,706,544)	($82,523,609)
FMAP - SSR Match New HB2	$35,690,366	$41,730,388	$42,982,777	$44,297,789
Federal - Leveraged Match	$2,057,374	$2,077,948	$2,183,538	$2,205,373
100% Federal - IHS Statutory	$65,646,470	$66,302,935	$66,965,964	$67,635,624
Total Health Care Services by Matching Source	**$760,615,069**	**$770,770,117**	**$782,484,607**	**$794,459,063**

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	$26,832,790	$32,547,074	$32,168,986	$31,751,940
General Fund/HB2 (cost avoidance)	($28,226,340)	($28,192,802)	($28,474,730)	($28,759,478)
General Fund Subtotal	**($1,393,550)**	**$4,354,271**	**$3,694,256**	**$2,992,462**
State Special/HB2	$10,866,677	$10,501,841	$10,606,859	$10,712,928
State Special/HB2	$25,663,642	$28,215,215	$29,100,174	$30,029,380
State Special/M/E Approp	$16,751,385	$17,588,954	$18,468,402	$19,391,822
State Special Subtotal	**$53,281,703**	**$56,306,010**	**$58,175,435**	**$60,134,130**
Federal/HB2	($64,775,986)	($67,247,806)	($68,211,311)	($69,201,911)
Federal/Statutory IHS	$65,646,470	$66,302,935	$66,965,964	$67,635,624
Federal/M/E Approp	$707,856,432	$711,054,706	$721,860,263	$732,898,757
Federal Subtotal	**$708,726,916**	**$710,109,835**	**$720,614,916**	**$731,332,471**
Total Health Care Services	**$760,615,069**	**$770,770,117**	**$782,484,607**	**$794,459,063**

7. Administrative Costs – new HB 658 program requirements
    a. Eligibility Activities
        i. Section 1, 27 and 28 requires additional eligibility processes. The department will monitor and track participation in or exemption from community engagement activities for enrollees aged 19 to 55. The department will need to collect additional information to verify exemptions and/or community engagement activities or exemptions within 180 days of eligibility determination, and again at eligibility redetermination. Per assumption 1 above, 8,163 individuals will require increased interaction above typical eligibility management to assist members in understanding their roles and responsibilities associated with meeting the community engagement activities. This increased interaction is estimated to be one hour per member per year. The eligibility process will now include additional initial verifications requiring more time per application. In FY 2018, there were 52,584 applications. Each client service coordinator spends approximately 70% of their time conducting eligibility activities,

resulting in an additional 12 FTE Client Service Coordinators (8,163 x 1 hours= 8,183 hours; 2080 x 70% = 1,456 processing hours per FTE; 8,163 / 1,456 = 5.6 FTE) and (52,584*.16 hours= 8,365 hours; 8,365/ 1,456= 5.7 FTE)

ii. Section 2 requires the department to verify community engagement activities and exemptions, and suspend enrollment for those non-compliant, re-enroll after 180 days, and increase monitoring of those re-enrolled. The department estimates those disenrolled will be relative to those currently suspended for non-payment of premiums at an average of 400 individuals per month. The department estimates this will take 30 minutes per person for this process, resulting in an additional 2.0 FTE Client Service Coordinator.

iii. To maintain current staffing ratios, the addition of 14.0 FTE Client Service Coordinators would result in the need for an additional 2.0 FTE Client Service Supervisors and 2.0 FTE Client Service Technicians.

iv. Section 28 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.

v. Additional space for the 12 Client Service Coordinators, 2 Client Service Supervisors and 2 Client Service Technicians requires an additional 6,144 square feet of office space at an estimate $17.14 per square foot. (6,144 x $17.14 = $105,308.)

vi. Operating costs associated with the new FTE are estimated 3% of personal service costs.

vii. One-time computer equipment and office furniture in FY2020 is estimated at $50,400.

viii. Funding for the Client Service Coordinators and Client Service Supervisor would be 25% general fund and 75% Federal.

b. Audit (including out-patient revenue audit)

i. Section 2 requires the department to adopt rules establishing a program to audit information provided by program participants to the department to ensure compliance with community engagement activities.

ii. The department estimates that 1.0 FTE Compliance Specialist is necessary to complete the audit provision of Section 2. 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.

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

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

v. Section 13 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. Program Redesign

i. HB 658 requires the department to significantly modify current business process, IT infrastructure, and administrative rules framework to comply with the new community engagement and other activities. In order to efficiently and effectively make these modifications and streamline the department business processes and maximize the use of administrative data to track compliance, additional short-term resources are necessary for the first year of implementation:

1. 1.0 FTE Project Manager to plan, coordinate and facilitate program and IT modifications. Personal services costs are estimated at $90,901 in FY 2020
2. 1.0 FTE Business Analyst to assist in streamlining eligibility processes and maximize the use of administrative data to ensure participant compliance with community engagement activities. Personal services costs are estimated at $80,430 in FY 2020
3. 1.0 FTE Legal Secretary to establish the administrative rules framework required in HB 658. Personal services costs are estimated at $58,748 in FY 2020

ii. Operating costs associated with the FTE are estimated at 3% of personal services expenditures.
iii. One time only office supplies, furniture and computer equipment are estimated at 8,400 in FY 2020.
iv. The department estimates that 50 pages of associated rulemaking will be adopted at $60 per page. (50 x $60 = $3,000) Rulemaking expenditures are funded with 56.6% general funds, 4% state special and 39.4% federal funds.

d. 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 an increase in workload.

8. 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. <u>Premium Billing and Collections:</u> 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. <u>Claims Processing and Data Analytics:</u> 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. <u>Federal Share of Premiums Collected:</u> 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. <u>Eligibility Determination, Program Management and Quality Control Functions:</u> Other administrative expenditures are estimated to cost $22,321,886 in FY 2020 and $24,544,970 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%.
   c. Section 17 and 42 of HB 658 moves the appropriation associated with benefits and administration of Medicaid expansion from a statutory appropriation to HB 2. There are currently 15.0 modified FTE established for administering the program. These FTE will need to be made permanent in order to maintain personal services base funding moving forward. The personal services for these positions are included in the administrative costs above and would not result in additional expenditures for the program.

9. One-time-only Program Implementation/Information Technology
   a. Sections 1, 2 and 27 require modification and enhancement of the eligibility system (CHIMES). The department estimates additional business rules, new data fields for capturing additional exemptions, two new member communications and a new disenrollment process. Existing Department of Labor and Industry interface will be modified to meet the requirements of HB 658. The department estimates 500 hours at a blended rate of $150 per hour to complete this work. Total anticipated cost in FY 2020 is $75,000.
   b. The department estimates a new interface is required to provide claims information for the community engagement exemptions related to health conditions. The department estimates 160 hours at a rate of $115 an hour to complete the work. Total anticipated cost is $18,400.

c. Section 3 requires the analysis of claims information and other data to ensure proper care coordination for clients. The department is assuming it will use the population health data warehouse and reporting tool to do this analysis at no additional cost.

d. The department estimates additional reports for tracking and reporting exemption and disenrollment from eligibility for required CMS demonstration reporting and the necessary report required in section 8 to provide to Department of Revenue. It is estimated that it will take 240 hours at $150 an hour to complete. Total anticipated cost in FY 2020 is $36,000.

10. Administrative Expense (new, ongoing and OTO IT) are expended as follows:

Administrative Expense by Category	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**
Eligibility	$ 3,391,459	$ 3,381,247	$ 3,403,384	$ 3,425,753
Audit	$ 218,213	$ 215,413	$ 216,867	$ 217,339
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	$ 4,473,433	$ 4,457,350	$ 4,501,924	$ 4,546,943
Other Administration	$ 6,978,590	$ 6,789,083	$ 6,878,448	$ 6,968,648
OTO IT	$ 129,400	$ -	$ -	$ -
Administrative Expense Total	**$ 23,594,948**	**$ 25,727,062**	**$ 26,724,113**	**$ 27,966,353**

Administrative Expense by Fund Source				
General Fund	12,824,353.58	13,550,767.65	13,886,660.44	14,285,095.48
Federal Fund	10,770,594.30	12,176,294.95	12,837,452.49	13,681,257.97
Total Funding	**$ 23,594,948**	**$ 25,727,063**	**$ 26,724,113**	**$ 27,966,353**

11. 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 is 49.53% to standard Medicaid and 50.47% to Medicaid Expansion.

		FY 2020		FY 2021		FY 2022		FY 2023
Outpatient Tax Revenue								
Total Tax 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, MC	$	16,751,384	$	17,588,953	$	18,468,401	$	19,391,821
Total Tax Collected	$	**33,502,769**	$	**35,177,907**	$	**36,936,803**	$	**38,783,643**
Allocation of Hospital Fee Based on Utilization Percentages								
Allocation of Outpatient Tax Standard Medicaid	$	8,296,791	$	8,711,631	$	9,147,212	$	9,604,573
Allocation of Outpatient Tax Medicaid Expansion	$	8,454,593	$	8,877,322	$	9,321,189	$	9,787,248
Total Tax Reallocated	$	**16,751,384**	$	**17,588,953**	$	**18,468,401**	$	**19,391,821**

c. HB 658 Section 35 continues premium payments by certain members. The department assumes that the amount collected through premium collections will remain consistent with current premium collections, estimated to be $5,283,973 in FY 2019. HB 658 implements a premium increase of .5% annually by some participants. Due to the available exemption from the increase, the department is unable to determine how many participants would be subject to the increases. 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	$	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 Revenue Collection	**$**	**7,253,924**	**$**	**7,326,463**	**$**	**7,399,728**	**$**	**7,473,725**

Department of Labor and Industry (DLI)

HELP-Link Program

12. 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.
13. 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.
14. Section 23 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 3000 people each year, with approximately 750 receiving training services.
15. 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.
16. In order to serve the increased population, DLI will need to hire an additional 4.0 FTE for employment specialists, with total salary and benefits of $208,803 per year.
17. The increased size of the program would necessitate the hiring of 1.0 FTE for a dedicated, full-time program manager to oversee and coordinate the program. Annual salary and benefits for this position equal $78,213.
18. 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.

19. Each of the 5.5 new employees would require a new desk and a new computer, estimated at $2,800 per employee, for a total of $15,400.
20. 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 $97,320 per year. This includes $26,592 for the DLI cost allocation program calculated at 7.85% of personal services, $13,650 in rent, $17,556 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.
21. 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 $32,705.
22. 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.
23. 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 750 people participating in training each year, it is estimated to cost approximately $2,250,000 per year.
24. Section 23 of the bill requires that the department contact each program participant subject to the community engagement requirements and assist the participant with completion of an employment or reemployment assessment. Based on the results of the assessment, the department is to identify services to help the individual address barriers to employment. The department is estimating costs of $50,000 per year associated with this outreach.
25. Section 23 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.

Employer Grant Program

26. Section 7 of the bill assigns the HELP Act employer grant program administration to DLI.
27. The administration of the employer grant program would require 1.0 FTE, not currently included in WSD's budget. This FTE would be classified as an administrative specialist, with an annual salary and benefits totaling $78,213.
28. In addition to personal services costs, this position would require $16,182 in annual operating costs including $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.
29. 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.
30. 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.
31. 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.
32. DLI anticipates employer outreach to promote the grant program and provide information on grant award criteria. An annual cost of $15,000 would be required for this outreach.
33. 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.

34. The department is assuming that employer grants would be awarded in the amount of $250,000 per year.
35. The department currently has $888,531 of restricted state special appropriation each year to be used for the workforce development program associated with Medicaid expansion. Section 42 of the bill provides a biennial appropriation of $3.5 million to be used for the employer grant program and the workforce development activities of the department. It is assumed that costs in excess of these appropriations will be paid from the general fund.

Department of Corrections

36. 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.
37. The Department of Corrections is unable to quantify a fiscal impact from this proposed legislation.

Department of Revenue (DOR)

38. HB 658 changes the taxpayer integrity fee listed in 15-30-2660, MCA.
39. 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 equivalent.
40. 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 a month for each $1,000 in assets above the amounts established in assumption 44.
41. HB 658 continues the taxpayer integrity fee, but changes the asset qualifications for participants in the HELP act.
42. 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: $255,000 in equity of real property or improvements to real property, more than one light vehicle which have a combined depreciated value of at least $20,000 where the taxpayer has at least $5,000 in equity on the vehicles, or agricultural land with a taxable value in excess of $1,500 each year.
43. The bill excludes real property and improvements to real property held in trust by the United States for the benefit of a Montana federally recognized Indian tribe.
44. 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 in equity above the $255,000 real property limit, or each $100 of taxable value above $1,500 for agricultural land.
45. DOR does not currently have vehicle registration records, so it cannot determine the number of HELP act participants who would meet this qualification.
46. DOR does not have information on the equity value taxpayers have with regards to their real and personal property. It is assumed that all taxpayers have 50 percent of the market value of their properties in equity value.
47. Based on DOR property tax records, income tax records, and HELP act participant records from DPHHS, the DOR estimates that approximately 64 HELP act participants in 2017 would have met either the real property or agricultural land requirements for the integrity fee.
48. Based on 2017 tax records, DOR estimates the 64 people who would qualify for the integrity fee would be required to pay approximately $15,000 in monthly fees.
49. Assuming each taxpayer continued participating in the HELP act all year, the $15,000 in monthly fees would generate $180,000 in revenue each fiscal year. A breakdown of the 64 individuals by the monthly fee they are estimated to be liable for is provided in the table below.

Estimated Taxpayer Integrity Fees				
Monthly Fee Amount				Annual Fees
Fee Amount	Number	Combined Fees	Average Fee	
Less Than $250	41	$6,000	$146	$72,000
More than $250	23	$9,000	$391	$108,000
Total	64	$15,000	$234	$180,000

50. The DOR expects to collect 75% of the taxpayer integrity fees that are due each year.
51. Based on the 64 identified individuals who would have been liable for the new taxpayer integrity fee in 2017, and a 75 percent collection rate, the taxpayer integrity fee created in HB 658 will generate $135,000 in revenue each fiscal year.
52. With the information provided by the Department of Public Health and Human Services, DOR will begin collecting the integrity fee beginning FY 2020.
53. 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.
54. 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.
55. The federal Internal Revenue Service reports there are currently 69 501(d) organizations in the state of Montana.
56. DOR estimates that there are 2,500 members of 501(d) organizations covered under the HELP act. The state's share of the average annual cost per program participant and the number of program participants is in the following table.

Annual State Cost (State Share)	$541.50	$623.15	$629.48	$635.77
Members	2510	2510	2510	2510
Total State Special Revenue	**$1,359,156**	**$1,564,118**	**$1,579,992**	**$1,595,791**

57. All revenue from the integrity fee will be deposited into the Montana HELP Act special revenue account provided for in HB 658.
58. DOR will be required to update its integrated tax processing software for the new fees and the changes to the current fees. The software changes will cost DOR $550,000 in FY 2020.

Montana State Fund (MSF)

59. 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.
60. 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.
61. 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.
62. 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)

63. Under current law, health services corporations (HSCs) as defined in 33-30-101, MCA, are exempt from paying insurance premium taxes.
64. 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.

65. 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.
66. 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 15 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	37.00	34.00	34.00	34.00
Expenditures:				
Personal Services	$4,108,372	$3,841,181	$3,870,262	$3,899,673
Operating Expenses	$14,776,226	$17,241,055	$18,142,084	$19,286,705
Benefits	$765,325,419	$775,414,943	$787,196,374	$799,239,039
TOTAL Expenditures	$784,210,017	$796,497,179	$809,208,720	$822,425,417
Funding of Expenditures:				
General Fund (01)	$11,430,804	$17,905,039	$17,580,916	$17,277,558
State Special Revenue (02)	$53,281,703	$56,306,010	$58,175,435	$60,134,130
Federal Special Revenue (03)	$719,497,510	$722,286,130	$733,452,369	$745,013,729
TOTAL Funding of Exp.	$784,210,017	$796,497,179	$809,208,720	$822,425,417
Revenues:				
General Fund (01)	$5,336,813	$5,390,181	$5,444,083	$5,498,524
State Special Revenue (02)	$44,332,138	$47,740,451	$49,524,221	$51,396,403
Federal Special Revenue (03)	$719,497,510	$722,286,130	$733,452,369	$745,013,729
TOTAL Revenues	$769,166,461	$775,416,762	$788,420,673	$801,908,656

DLI	FY 2020 Difference	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference
Fiscal Impact:				
FTE	6.50	6.50	6.50	6.50
Expenditures:				
Personal Services	$387,952	$387,952	$387,952	$387,952
Operating Expenses	$391,604	$352,204	$352,204	$352,204
Grants	$250,000	$250,000	$250,000	$250,000
Benefits	$1,950,000	$1,950,000	$1,950,000	$1,950,000
TOTAL Expenditures	$2,979,556	$2,940,156	$2,940,156	$2,940,156
Funding of Expenditures:				
General Fund (01)	$1,229,556	$1,190,156	$1,190,156	$1,190,156
State Special Revenue (02)	$1,750,000	$1,750,000	$1,750,000	$1,750,000
TOTAL Funding of Exp.	$2,979,556	$2,940,156	$2,940,156	$2,940,156
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)	$1,494,156	$1,699,118	$1,714,992	$1,730,791
Federal Special Revenue (03)	$0	$0	$0	$0
Other	$0	$0	$0	$0
TOTAL Revenues	$1,494,156	$1,699,118	$1,714,992	$1,730,791

HB 658 STATEWIDE **Fiscal Impact:**	FY 2020 Difference	FY 2021 Difference	FY 2022 Difference	FY 2023 Difference
FTE	43.50	40.50	40.50	40.50
Expenditures:				
Personal Services	4,496,324	4,229,133	4,258,214	4,287,625
Operating Expenses	15,717,830	17,593,259	18,494,288	19,638,909
Grants	250,000	250,000	250,000	250,000
Benefits	767,275,419	777,364,943	789,146,374	801,189,039
TOTAL Expenditures	787,739,573	799,437,335	812,148,876	825,365,573
Funding of Expenditures:				
General Fund (01)	13,210,360	19,095,195	18,771,072	18,467,714
State Special Revenue (02)	55,031,703	58,056,010	59,925,435	61,884,130
Federal Special Revenue (03)	719,497,510	722,286,130	733,452,369	745,013,729
TOTAL Funding of Exp.	787,739,573	799,437,335	812,148,876	825,365,573
Revenues:				
General Fund (01)	5,336,813	5,390,181	5,444,083	5,498,524
State Special Revenue (02)	53,492,294	58,025,569	60,412,213	62,927,194
Federal Special Revenue (03)	719,497,510	722,286,130	733,452,369	745,013,729
TOTAL Revenues	$778,326,617	$785,701,880	$799,308,665	$813,439,447
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($7,873,547)	($13,705,014)	($13,326,989)	($12,969,190)
State Special Revenue (02)	($1,539,409)	($30,441)	$486,778	$1,043,064
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 thru 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 the1115 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 percent general fund and 50 percent at federal funding.

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.

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.