



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2023 Biennium

**Bill #** HB0676

**Title:** Generally revise Medicaid and CHIP laws

**Primary Sponsor:** Gillette, Jane

**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

|   | <u>FY 2022</u><br><u>Difference</u> | <u>FY 2023</u><br><u>Difference</u> | <u>FY 2024</u><br><u>Difference</u> | <u>FY 2025</u><br><u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expenditures:</b>                    |                                     |                                     |                                     |                                     |
| General Fund                            | (\$7,106,252)                       | (\$7,231,294)                       | (\$7,229,592)                       | (\$7,226,952)                       |
| State Special Revenue                   | (\$647,041)                         | (\$647,714)                         | (\$647,517)                         | (\$647,211)                         |
| Federal Special Revenue                 | (\$13,102,224)                      | (\$13,180,530)                      | (\$13,177,550)                      | (\$13,172,925)                      |
| <b>Revenue:</b>                         |                                     |                                     |                                     |                                     |
| General Fund                            | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| State Special Revenue                   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Federal Special Revenue                 | (\$13,102,224)                      | (\$13,180,530)                      | (\$13,177,550)                      | (\$13,172,925)                      |
| <b>Net Impact-General Fund Balance:</b> | <u>\$7,106,252</u>                  | <u>\$7,231,294</u>                  | <u>\$7,229,592</u>                  | <u>\$7,226,952</u>                  |

**Description of fiscal impact:** HB 676 requires the Department of Public Health and Human Services (DPHHS) to revise eligibility verification procedures and requirements, removes continuous eligibility for Medicaid Expansion and Parent/Caretaker Relative groups, and revises copayment requirements for the Children's Health Insurance Program.

### FISCAL ANALYSIS

#### Assumptions:

##### **DPHHS**

##### Eligibility

- Section 3 ends continuous eligibility for Medicaid Expansion and for Parent/Caretaker Relative Medicaid groups. This change will increase caseload churn for these two groups. Churn is defined as an individual exiting a program and re-entering the program within 4 months. Based on trends in other states, the Department estimates the annual churn rate for these groups will be 10-15% for the 59,194 impacted cases.

This churn rate would result in 7,399 additional applications a year. HCSD would require an addition 4.0 FTE Client Service Coordinators for this additional work.

2. Section 6 & Section 12 would make Montana an “assessment” state for Medicaid applications received through the federally facilitated marketplace (FFM). Today Montana is a “determination” state, and the FFM utilizes Montana’s rules to determine someone eligible for Medicaid when possible, without DPHHS staff effort. With this change, all applications would be sent to HCSD to work. Last year, 10,554 Medicaid applications were approved by the FFM. With this change, all these applications will need to be touched by HCSD staff. Based on experiences of other states, the Department assumes 40% of these will be able to be processed with minimal staff time, and the remainder will need to be worked by HCSD. HCSD would require 2.0 FTE Client Service Coordinators to complete this work.
3. One-time computer equipment and office furniture in FY2022 is estimated at \$16,800.
4. Annual costs for personal services and maintenance and operations are estimated to increase by 1.5% in FY 2024 and FY 2025.
5. Funding for the Client Service Coordinators, and Client Service Supervisors would be 34.83% general fund, 4.06% State Special, and 61.11% Federal.

**Technology**

6. DPHHS utilizes the Combined Health Information and Montana Eligibility System (CHIMES) platform for eligibility determination for the Medicaid and Children’s Health Insurance programs subject to the requirements of HB 676. Several enhancements would need to be made to the business rules for determining eligibility and electronic data exchanges. The enhancements required in HB 676 would be funded at a match rate of 90% federal funds and 10% general fund based on the federal enhanced rate for Medicaid system enhancements.
7. The Department assumes that business rules would need to be updated to eliminate continuous eligibility (Section 3, subsection 7), reasonable compatibility threshold updates (Section 12), elimination of extended categories (Section 14) and checking for TANF non-compliance (Section 13). It will take an estimated 420 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$52,000 in FY 2022.
8. Section 4 of HB 676 requires that the department update the data exchange and business rules associated with Child Support. It will take an estimated 240 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$30,000 in FY 2022.
9. Section 6 of HB 676 requires the Department to make the final determination for any application that is received from the Federal Facilitated Exchange. Montana is currently a determination state, and this will require updates to the data exchange, business rules and auto processing enhancements. It will take an estimated 240 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$30,000 in FY 2022.
10. Section 7 of HB 676 requires the department to have a new electronic data exchange with an available Health Information Exchange or other statewide claims warehouse to be used to identify previous insurance as well as current insurance for members. It will take an estimated 600 hours of contracted programming time at a cost of \$125 per hour for a total cost of \$75,000 in FY 2022.

**Changes to Benefits**

11. Section 3 of the bill will end the 12-month continuous eligibility provision of the 1115 Waiver for those who are eligible for medical assistance pursuant to 42 U.S.C. 1396(a)(10)(A)(i)(VIII). In 2014 CMS estimated that continuous enrollment policies increase coverage continuity by 2.6%. DPHHS is assuming that discontinuation of continuous eligibility policies for adults covered by MAGI based Montana Medicaid will

have an equivalent coverage loss. The table below shows the estimated annual impact for general fund, state special, and federal funds.

| Estimated Annual Changes to Enrollment and Medicaid Expenses |                                  |  |                       |                           |                          |                |                        |                 |
|--|----------------------------------|--|-----------------------|---------------------------|--------------------------|----------------|------------------------|-----------------|
|  | Average<br>Monthly<br>Enrollment | 2.6% Reduction<br>of Covered<br>Months | Months of<br>Coverage | Average Cost<br>Per Month | Annual Benefit<br>Change | General Fund   | State Special<br>Funds | Federal Funds   |
| Adults - Standard Medicaid                                   | 19,351                           | (503)                                  | (6,038)               | \$ 479                    | \$ (2,891,968)           | \$ (704,212)   | \$ (234,737)           | \$ (1,953,018)  |
| Adults - Medicaid Expansion                                  | 100,592                          | (2,615)                                | (31,385)              | \$ 592                    | \$ (18,579,745)          | \$ (1,288,970) | \$ (429,657)           | \$ (16,861,118) |
|  |                                  |  | (37,422.22)           |                           | \$ (21,471,713)          | \$ (1,993,182) | \$ (664,394)           | \$ (18,814,137) |

12. Discontinuation of continuous eligibility policies for adults covered under Medicaid Expansion will eliminate a transfer of expenditures from Medicaid Expansion FMAP (10 percent state share) to Standard FMAP (35.1 percent state share). The table below shows the estimated annual impact for general fund, state special, and federal funds. See Technical Note #2.

| Continuous Eligibility Charge Estimates    |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
|  | SFY 2022       | SFY 2023       | SFY 2024       | SFY 2025       |
| Forecasted Medicaid Expansion Expenditures | \$ 809,258,969 | \$ 824,664,990 | \$ 824,664,990 | \$ 824,664,990 |
| 2.6% of Expenditures                       | \$ 21,040,733  | \$ 21,441,290  | \$ 21,441,290  | \$ 21,441,290  |
| Standard FMAP - State Share                | 35.1%          | 35.1%          | 35.1%          | 35.1%          |
| Medicaid Expansion FMAP - State Share      | 10.0%          | 10.0%          | 10.0%          | 10.0%          |
| FMAP Difference                            | 25.1%          | 25.1%          | 25.1%          | 25.1%          |
| General Fund                               | \$ (5,281,224) | \$ (5,381,764) | \$ (5,381,764) | \$ (5,381,764) |
| Federal Fund                               | \$ 5,281,224   | \$ 5,381,764   | \$ 5,381,764   | \$ 5,381,764   |
| Total                                      | \$ -           | \$ -           | \$ -           | \$ -           |

13. Section 9 HB 676 establishes the maximum copayment for CHIP members as \$220 annually effective January 1, 2022. The department may adjust the maximum annual family copayment annually by an amount equal to the average rate of inflation for the prior 3 years. The increase cannot exceed 3%.
14. For the purpose of this fiscal note, the increase for copayments is calculated at 3% growth.
15. In SFY 21 the current copayment cap is \$215. During Federal Fiscal Year 2020, 102 families met this cap. The additional co-payments amount of \$5.00, would generate a savings of \$255 in SFY 2022, \$263 in SFY 2023, \$270 in SFY 2024, and \$278 in SFY 2025.
16. CHIP services receive Federal Medical Assistance Percentage (FMAP):
  - a. SFY 2022 is 24.45% state funding/75.55% federal funding and SFY 2023-2025 is 24.57% state funding/75.43% federal funding.

**Department of Revenue (DOR)**

17. HB 676 modifies the confidentiality of tax records to allow DPHHS to verify the income reported by individuals applying for the state’s Children’s Health Insurance Program or Medicaid program.
18. The changes made by the bill can be made as part of the department’s regular administrative work. The department does not expect to incur any additional costs as a result of the changes made by this bill.

**Montana State Fund**

19. Montana State Fund will continue to be provided taxpayer return information and information from employers' payroll withholding reports to be used for investigation and prevention of noncompliance, fraud, and abuse under the workers' compensation program as is provided for under current law.

|   | <u>FY 2022</u><br><u>Difference</u> | <u>FY 2023</u><br><u>Difference</u> | <u>FY 2024</u><br><u>Difference</u> | <u>FY 2025</u><br><u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b><u>Fiscal Impact:</u></b>  |                                     |                                     |                                     |                                     |
| FTE   | 6.00                                | 6.00                                | 6.00                                | 6.00                                |
| <b><u>Expenditures:</u></b>   |                                     |                                     |                                     |                                     |
| Personal Services   | \$400,147                           | \$400,425                           | \$405,169                           | \$412,528                           |
| Operating Expenses  | \$216,304                           | \$12,013                            | \$12,155                            | \$12,375                            |
| Equipment   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Benefits  | (\$21,471,968)                      | (\$21,471,976)                      | (\$21,471,983)                      | (\$21,471,991)                      |
| Transfers   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| <b>TOTAL Expenditures</b>   | <u>(\$20,855,517)</u>               | <u>(\$21,059,538)</u>               | <u>(\$21,054,659)</u>               | <u>(\$21,047,088)</u>               |
| <b><u>Funding of Expenditures:</u></b>  |                                     |                                     |                                     |                                     |
| General Fund (01)   | (\$7,106,252)                       | (\$7,231,294)                       | (\$7,229,592)                       | (\$7,226,952)                       |
| State Special Revenue (02)  | (\$647,041)                         | (\$647,714)                         | (\$647,517)                         | (\$647,211)                         |
| Federal Special Revenue (03)  | (\$13,102,224)                      | (\$13,180,530)                      | (\$13,177,550)                      | (\$13,172,925)                      |
| <b>TOTAL Funding of Exp.</b>  | <u>(\$20,855,517)</u>               | <u>(\$21,059,538)</u>               | <u>(\$21,054,659)</u>               | <u>(\$21,047,088)</u>               |
| <b><u>Revenues:</u></b>   |                                     |                                     |                                     |                                     |
| General Fund (01)   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| State Special Revenue (02)  | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Federal Special Revenue (03)  | (\$13,102,224)                      | (\$13,180,530)                      | (\$13,177,550)                      | (\$13,172,925)                      |
| <b>TOTAL Revenues</b>   | <u>(\$13,102,224)</u>               | <u>(\$13,180,530)</u>               | <u>(\$13,177,550)</u>               | <u>(\$13,172,925)</u>               |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b> |                                     |                                     |                                     |                                     |
| General Fund (01)   | \$7,106,252                         | \$7,231,294                         | \$7,229,592                         | \$7,226,952                         |
| State Special Revenue (02)  | \$647,041                           | \$647,714                           | \$647,517                           | \$647,211                           |
| Federal Special Revenue (03)  | \$0                                 | \$0                                 | \$0                                 | \$0                                 |

**Technical Notes:**

1. A state plan amendment requesting the eligibility or services changes must be written and sent to the Centers for Medicare and Medicaid Services (CMS) for approval prior to implementation of this bill.
2. As of March 24, 2021, HB2 includes a change package in HB 2 (11551-Expansion Continuous Eligibility FMAP adjustment) which removes the Medicaid Expansion adjustment related to 12-month continuous eligibility provision of the 1115 Waiver for those who are eligible for medical assistance pursuant to 42 U.S.C. 1396(a)(10)(A)(i)(VIII).
3. Section 12(3) of HB 676 requires that that the department uses “all electronic data sources allowed under federal law”. The agency is unable to estimate the cost of this broad language related to available data sources. The value of using duplicative data sources diminishes the return on investment significantly considering the cost to implement such data sources and the unlikelihood of finding new information. If the bill’s intent is to add a significant number of data exchanges, based on recent analysis for a bill with similar requirements, it would add an additional \$1,920,415.
4. The federal Bipartisan Budget Act of 2018 (Pub. L. 115-123), requires CHIP Maintenance of Effort through September 30, 2027. The Department cannot implement Section 5 and Section 7 subsection (3) until October 1, 2027. The fiscal impact for these sections during the period of the fiscal note is \$0.
5. The Department does not pay for health care costs incurred prior to the eligibility date for medical assistance, and therefore the fiscal impact for Section 14 was determined to be \$0. If the intent of this section was “application date” instead of “eligibility date” this was not considered.
6. Changes in the reasonable compatibility process identified in Sections 4, Section 6 (4)(b), Section 12 (6)(b), and Section 13 (2)(a) will increase workload of Department staff, but the fiscal impact cannot be calculated.
7. Requiring compliance with TANF work requirements as a condition of Medicaid eligibility (per Section 13(2)(a)) may result in coverage loss, but the fiscal impact cannot be calculated.

**NOT SIGNED BY SPONSOR**

\_\_\_\_\_  
*Sponsor's Initials*

3/30/21  
*Date*

KA  
*Budget Director's Initials*

3-31-21  
*Date*