



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

### Bill information:

HB0609 - Revising laws related to continuous eligibility for Medicaid (Howell, SJ)

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 2024</u><br><u>Difference</u> | <u>FY 2025</u><br><u>Difference</u> | <u>FY 2026</u><br><u>Difference</u> | <u>FY 2027</u><br><u>Difference</u> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <b>Expenditures:</b>                    |                                     |                                     |                                     |                                     |
| General Fund                            | \$2,238,182                         | \$5,684,510                         | \$5,808,958                         | \$5,934,010                         |
| State Special Revenue                   | \$3,540,469                         | \$6,693,891                         | \$6,807,446                         | \$6,922,282                         |
| Federal Special Revenue                 | \$4,834,394                         | \$11,309,577                        | \$11,794,556                        | \$12,287,129                        |
| <b>Revenue:</b>                         |                                     |                                     |                                     |                                     |
| General Fund                            | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| State Special Revenue                   | \$0                                 | \$0                                 | \$0                                 | \$0                                 |
| Federal Special Revenue                 | \$4,834,394                         | \$11,309,577                        | \$11,794,556                        | \$12,287,129                        |
| <b>Net Impact-General Fund Balance:</b> | <u>(\$2,238,182)</u>                | <u>(\$5,684,510)</u>                | <u>(\$5,808,958)</u>                | <u>(\$5,934,010)</u>                |

**Description of fiscal impact:** HB 609 requires the Department of Public Health and Human Services (DPHHS) (department) to reinstate the 12-month continuous eligibility for adults covered under the Medicaid parent caretaker relative and Medicaid expansion programs. This change will result in increased enrollment in these programs. Continuous eligibility policies for adults covered under Medicaid expansion will require a transfer of expenditures from Medicaid expansion Federal Medical Assistance Percentage (FMAP) to standard FMAP.

### FISCAL ANALYSIS

#### Assumptions:

- Although HB 609 requires the department to submit waiver amendments no later than September 30, 2023, waiver amendments, administrative rule development, public comment, and administrative activities are anticipated to take up to an additional 90 days. For purposes of this fiscal note, the department is assuming a start date of January 1, 2024.

2. A reinstatement of 12 months continuous eligibility for parents, caretaker relatives, and the Medicaid expansion populations results in a significant decrease in caseload churn for both Medicaid and Children’s Health Insurance Program (CHIP). Churn is defined as an individual exiting a program and re-entering the program within twelve months.
3. The department estimates a 15% churn rate reduction for the applicable Medicaid and CHIP cases. A 15% churn rate results in a decrease of 5,083 applications a year. A new application takes approximately one hour to process resulting in a decreased need of 2.5 FTE client service coordinators creating a personal services savings of \$153,705 in FY 2024, \$154,174 in FY 2025, \$157,563 in FY 2026, and \$160,983 in FY 2027. Operating costs savings associated with the FTEs are estimated at 3% of personal services.
4. The funding reduction for the 2.5 FTE client service coordinators would be a savings of 34.49% general fund, 3.69% state special, and 61.82% federal fund.
5. Churn was estimated at 15% based on Issue Brief "An Updated Look at Rates of Churn and Continuous Coverage in Medicaid and CHIP" October 2021. [https://www.macpac.gov/wp-content/uploads/2021/10/An-Updated-Look-at-Rates-of-Churn-and-Continuous-Coverage-in-Medicaid-and-CHIP.pdf#:~:text=The%20fact%20that%20many%20Medicaid%20and%20State%20Children%E2%80%99s,in%20the%20long%20run%20\(Sugar%20et%20al.%202021\).](https://www.macpac.gov/wp-content/uploads/2021/10/An-Updated-Look-at-Rates-of-Churn-and-Continuous-Coverage-in-Medicaid-and-CHIP.pdf#:~:text=The%20fact%20that%20many%20Medicaid%20and%20State%20Children%E2%80%99s,in%20the%20long%20run%20(Sugar%20et%20al.%202021).)
6. Average monthly enrollments for FY 2024 and FY 2025 are based on current enrollment projections. The FY 2024 projection is the anticipated enrollment after all current Medicaid member eligibility is re-evaluated as part of the public health emergency unwind activities.
7. For purposes of the fiscal note, a 1.5% increase for eligible members and costs have been applied for FY 2026 and FY 2027.
8. In FY 2014, CMS estimated that continuous enrollment policies increase coverage continuity by 2.6% for a 12-month period. DPHHS assumes that adding 12 months continuous eligibility coverage for parent, caretaker relatives, and Medicaid expansion populations, will have an equivalent increase in coverage of 2.6%. Benefits are calculated using the average monthly enrollment projection \* 2.6% enrollment increase \* # of months \* average cost per month. See Table 1: Estimated Annual Changes to Enrollment and Medicaid Expenses below.

**Table 1: Estimated Annual Changes to Enrollment and Medicaid Expenses**

|                              | Average Monthly Enrollment | 2.6% Enrollment Increase | 2.6% Increase Months of Coverage | Average Cost Per Month | Annual Benefit Change | General Fund     | State Special Funds | Federal Funds     |
|------------------------------|----------------------------|--------------------------|----------------------------------|------------------------|-----------------------|------------------|---------------------|-------------------|
| <b>SFY 2024 - 6 Months</b>   |                            |                          |                                  |                        |                       |                  |                     |                   |
| Parents, Caretaker Relatives | 21,774                     | 566                      | 3,396                            | 539.19                 | 1,831,088             | 495,630          | 165,210             | 1,170,248         |
| Medicaid Expansion           | 89,590                     | 2,329                    | 13,974                           | 639.78                 | 8,940,273             | 670,520          | 223,507             | 8,046,246         |
| <b>Totals</b>                |                            |                          | <b>17,370</b>                    |                        | <b>10,771,361</b>     | <b>1,166,150</b> | <b>388,717</b>      | <b>9,216,494</b>  |
| <b>SFY 2025 - 12 Months</b>  |                            |                          |                                  |                        |                       |                  |                     |                   |
| Parents, Caretaker Relatives | 22,042                     | 573                      | 6,876                            | 559.47                 | 3,846,897             | 1,035,200        | 345,067             | 2,466,630         |
| Medicaid Expansion           | 88,886                     | 2,311                    | 27,732                           | 721.18                 | 19,999,881            | 1,499,991        | 499,997             | 17,999,893        |
| <b>Totals</b>                |                            |                          | <b>34,608</b>                    |                        | <b>23,846,778</b>     | <b>2,535,191</b> | <b>845,064</b>      | <b>20,466,524</b> |
| <b>SFY 2026 - 12 Months</b>  |                            |                          |                                  |                        |                       |                  |                     |                   |
| Parents, Caretaker Relatives | 22,373                     | 582                      | 6,984                            | 567.86                 | 3,965,929             | 1,067,232        | 355,744             | 2,542,954         |
| Medicaid Expansion           | 90,219                     | 2,346                    | 28,152                           | 732.00                 | 20,607,321            | 1,545,549        | 515,183             | 18,546,589        |
| <b>Totals</b>                |                            |                          | <b>35,136</b>                    |                        | <b>24,573,250</b>     | <b>2,612,781</b> | <b>870,927</b>      | <b>21,089,542</b> |
| <b>SFY 2027 - 12 Months</b>  |                            |                          |                                  |                        |                       |                  |                     |                   |
| Parents, Caretaker Relatives | 22,708                     | 590                      | 7,080                            | 576.38                 | 4,080,750             | 1,098,130        | 366,043             | 2,616,577         |
| Medicaid Expansion           | 91,573                     | 2,381                    | 28,572                           | 742.98                 | 21,228,483            | 1,592,136        | 530,712             | 19,105,635        |
| <b>Totals</b>                |                            |                          | <b>35,652</b>                    |                        | <b>25,309,233</b>     | <b>2,690,266</b> | <b>896,755</b>      | <b>21,722,212</b> |

9. Adding continuous eligibility policies for adults covered under Medicaid expansion will require a transfer of expenditures from Medicaid expansion FMAP (10% state share, 90% federal) to standard FMAP (36.09%

state share, 63.91% federal). This is essentially costing the state more money. See Table 2: Continuous Eligibility Charge Estimates.

|  | <b>SFY 2024</b> | <b>SFY 2025</b> | <b>SFY 2026</b> | <b>SFY 2027</b> |
|--|-----------------|-----------------|-----------------|-----------------|
| Forecasted Medicaid Expansion Expenditures                                   | 474,181,959     | 971,054,871     | 985,620,694     | 1,000,405,004   |
| 2.6% of Expenditures   | 12,328,731      | 25,247,427      | 25,626,138      | 26,010,530      |
| Standard FMAP - State Share  | 36.09%          | 35.88%          | 35.88%          | 35.88%          |
| Medicaid Expansion FMAP - State Share  | 10.00%          | 10.00%          | 10.00%          | 10.00%          |
| FMAP Difference  | 26.09%          | 25.88%          | 25.88%          | 25.88%          |
| General Fund   | 1,622,265       | 3,204,089       | 3,252,151       | 3,300,933       |
| State Special  | 2,827,174       | 5,854,687       | 5,942,508       | 6,031,645       |
| Federal Fund   | (4,449,439)     | (9,058,777)     | (9,194,658)     | (9,332,578)     |
| Total  | -               | -               | -               | -               |
| * SFY 2024 is only 6 Months due to assumed effective date of January 1, 2024 |                 |                 | 1.5% inflation  | 1.5% inflation  |


|   | <b><u>FY 2024</u></b>    | <b><u>FY 2025</u></b>    | <b><u>FY 2026</u></b>    | <b><u>FY 2027</u></b>    |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
|   | <b><u>Difference</u></b> | <b><u>Difference</u></b> | <b><u>Difference</u></b> | <b><u>Difference</u></b> |
| <b><u>Fiscal Impact:</u></b>  |                          |                          |                          |                          |
| FTE   | (2.50)                   | (2.50)                   | (2.50)                   | (2.50)                   |
| <b><u>Expenditures:</u></b>   |                          |                          |                          |                          |
| Personal Services   | (\$153,705)              | (\$154,174)              | (\$157,563)              | (\$160,983)              |
| Operating Expenses  | (\$4,611)                | (\$4,626)                | (\$4,727)                | (\$4,829)                |
| Benefits  | \$10,771,361             | \$23,846,778             | \$24,573,250             | \$25,309,233             |
| <b>TOTAL Expenditures</b>   | <b>\$10,613,045</b>      | <b>\$23,687,978</b>      | <b>\$24,410,960</b>      | <b>\$25,143,421</b>      |
| <b><u>Funding of Expenditures:</u></b>  |                          |                          |                          |                          |
| General Fund (01)   | \$2,238,182              | \$5,684,510              | \$5,808,958              | \$5,934,010              |
| State Special Revenue (02)  | \$3,540,469              | \$6,693,891              | \$6,807,446              | \$6,922,282              |
| Federal Special Revenue (03)  | \$4,834,394              | \$11,309,577             | \$11,794,556             | \$12,287,129             |
| <b>TOTAL Funding of Exp.</b>  | <b>\$10,613,045</b>      | <b>\$23,687,978</b>      | <b>\$24,410,960</b>      | <b>\$25,143,421</b>      |
| <b><u>Revenues:</u></b>   |                          |                          |                          |                          |
| General Fund (01)   | \$0                      | \$0                      | \$0                      | \$0                      |
| State Special Revenue (02)  | \$0                      | \$0                      | \$0                      | \$0                      |
| Federal Special Revenue (03)  | \$4,834,394              | \$11,309,577             | \$11,794,556             | \$12,287,129             |
| <b>TOTAL Revenues</b>   | <b>\$4,834,394</b>       | <b>\$11,309,577</b>      | <b>\$11,794,556</b>      | <b>\$12,287,129</b>      |
| <b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b> |                          |                          |                          |                          |
| General Fund (01)   | (\$2,238,182)            | (\$5,684,510)            | (\$5,808,958)            | (\$5,934,010)            |
| State Special Revenue (02)  | (\$3,540,469)            | (\$6,693,891)            | (\$6,807,446)            | (\$6,922,282)            |
| Federal Special Revenue (03)  | \$0                      | \$0                      | \$0                      | \$0                      |

**Technical Notes:**

1. Section 1(2)(b) refers to the Health and Economic Livelihood Partnership (HELP) waiver. The HELP waiver expired and therefore, the continuous eligibility change for the Medicaid expansion population will be completed via an amendment to the existing 1115 Waiver for Additional Services and Populations (WASP) waiver.
2. This fiscal note is contingent upon approval of Medicaid waiver amendments for continuous eligibility by the Centers for Medicare and Medicaid (CMS).

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

\_\_\_\_\_  
*Date*

  
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*Budget Director's Initials*

  
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