

# Medicaid Monitoring Report & Montana HELP Act Medicaid Expansion Report

A REPORT PREPARED FOR THE LEGISLATIVE FINANCE COMMITTEE  
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# MEDICAID MONITORING

This report is intended to provide an update on the appropriation for Medicaid, administered by the Department of Public Health and Human Services (DPHHS). This report covers Medicaid benefits only; a subset of total Department of Health and Human Services expenditures. The administrative costs of the state Medicaid program are not included in this report. The state Medicaid program involves appropriations and expenditures by four different DPHHS divisions: Health Resources Division (HRD), Senior and Long-Term Care Division (SLTC), Developmental Services Division (DSD), and Addictive and Mental Disorders Division (AMDD). The Health and Economic Livelihood Partnership Act (HELP Act - Medicaid expansion) is discussed in the second half of this report.

## TRADITIONAL MEDICAID

### FY 2020 MEDICAID FUNDING AND EXPENDITURE

On March 18, 2020 H.R. 6201, the Families First Coronavirus Response Act (FFCRA) was signed into law. FFCRA provides a temporary 6.2% increase to each qualifying state's FMAP beginning January 1, 2020. The increase is retroactive and will extend through the last day of the calendar quarter in which the public health emergency declared by the Secretary of Health and Human Services for COVID-19 terminates. Montana's FMAP for FFY 2020 is 64.78%. The increased FMAP will be 70.98%.

The numbers in this report do not account for approximately \$38 million in savings from receiving an enhanced FMAP.

In addition to the enhanced FMAP, as of May 10, 2020, DPHHS is projecting a surplus in general fund authority of \$24.5 million for Medicaid benefits. This represents 7.6% of the FY 2020 Medicaid general fund appropriation. The department is also projecting a surplus in state special funds of \$2.9 million. Statute requires agencies to spend state special funds before general fund.

The table on the following page illustrates the current status of the Medicaid appropriation from February - April of FY 2020. Estimated FY 2020 totals are DPHHS projections based on data through May 10, 2020. Projection totals are department numbers included in the DPHHS Budget Status Report dated May 15, 2020.

The largest contributing factors to the projected general fund surplus from HRD include hospital services, \$8.3 million; acute services & pharmacy, \$6.3 million; Medicare Buy-in, \$2.0 million; and managed care benefits, \$1.3 million. AMDD is projecting a general fund surplus in adult mental health of \$2.2 million. DSD is projecting a general fund surplus in children's mental health of \$3.0 million and in children's autism services of \$1.3 million.

Countering the projected surplus in Medicaid general fund are subclasses that are projected to exceed their current appropriation. These include community first choice benefits in SLTC (\$1.6 million) and clinic services in HRD (\$1.2 million).

Table 1: FY 2020 Medicaid Benefits & Claims Appropriations Compared to DPHHS Expenditures

| Division/Fund   | FY 2020 Legislative Appropriation <sup>1</sup> | Executive Changes in Legislative Appropriation <sup>2</sup> | FY 2020 Modified Appropriation | FY 2020 Expenditures Projected <sup>3</sup> | Estimated Expenditures (Over) Under Appropriation | Estimated Balance as a % of Modified Appropriation |
|---|--|---|--------------------------------|---|---|--|
| <b>10 Developmental Services Div.</b>   |  |   |                                |   |   |  |
| General Fund  | \$75,786,466                                   | \$0   | \$75,786,466                   | \$70,711,379                                | \$5,075,087                                       | 6.7%   |
| State Special Revenue   | 6,445,204                                      | 0   | 6,445,204                      | 6,445,204                                   | 0   | 0.0%   |
| Federal Funds   | <u>192,356,096</u>                             | <u>0</u>  | <u>192,356,096</u>             | <u>173,321,393</u>                          | <u>19,034,703</u>                                 | <u>9.9%</u>  |
| Subtotal  | 274,587,766                                    | 0   | 274,587,766                    | 250,477,976                                 | 24,109,790  | 8.8%   |
| <b>11 Health Resources Division</b>   |  |   |                                |   |   |  |
| General Fund  | 176,188,706                                    | (2,561,287)   | 173,627,419                    | 156,542,674                                 | 17,084,745  | 9.7%   |
| State Special Revenue   | 57,916,016                                     | 0   | 57,916,016                     | 57,232,087                                  | 683,929   | 1.2%   |
| Federal Funds <sup>4</sup>  | <u>478,826,308</u>                             | <u>(11,250,000)</u>   | <u>467,576,308</u>             | <u>449,514,670</u>                          | <u>18,061,638</u>                                 | <u>3.8%</u>  |
| Subtotal  | 696,894,454                                    | (13,811,287)  | 699,119,743                    | 663,289,431                                 | 35,830,312  | 5.1%   |
| <b>22 Senior and Long Term Care</b>   |  |   |                                |   |   |  |
| General Fund  | 58,463,097                                     | 1,800,000   | 60,263,097                     | 60,167,631                                  | 95,466  | 0.2%   |
| State Special Revenue   | 36,484,479                                     | 0   | 36,484,479                     | 33,597,865                                  | 2,886,614   | 7.9%   |
| Federal Funds   | <u>182,999,972</u>                             | <u>11,250,000</u>   | <u>194,249,972</u>             | <u>184,820,938</u>                          | <u>9,429,034</u>                                  | <u>5.2%</u>  |
| Subtotal  | 277,947,548                                    | 13,050,000  | 290,997,548                    | 278,586,434                                 | 12,411,114  | 4.5%   |
| <b>33 Addictive and Mental Disorders</b>  |  |   |                                |   |   |  |
| General Fund  | 10,932,875                                     | 0   | 10,932,875                     | 8,728,602                                   | 2,204,273   | 20.2%  |
| State Special Revenue   | 9,669,487                                      | 0   | 9,669,487                      | 10,305,949                                  | (636,462)   | -6.6%  |
| Federal Funds   | <u>41,414,822</u>                              | <u>0</u>  | <u>41,414,822</u>              | <u>38,996,288</u>                           | <u>2,418,534</u>                                  | <u>5.8%</u>  |
| Subtotal  | \$62,017,184                                   | \$0   | \$62,017,184                   | \$58,030,839                                | \$3,986,345                                       | 6.4%   |
| <b>Grand Total All Medicaid Services</b>  |  |   |                                |   |   |  |
| General Fund  | 321,371,144                                    | (761,287)   | 320,609,857                    | 296,150,286                                 | 24,459,571  | 7.6%   |
| State Special Revenue   | 110,515,186                                    | 0   | 110,515,186                    | 107,581,105                                 | 2,934,081   | 2.7%   |
| Federal Funds   | 895,597,198                                    | 0   | 895,597,198                    | 846,653,289                                 | 48,943,909  | 5.5%   |
| Grand Total All Funds   | \$1,327,483,528                                | (\$761,287)   | \$1,326,722,241                | \$1,250,384,680                             | \$76,337,561                                      | 5.8%   |
| 1 As of February 1, 2020.   |  |   |                                |   |   |  |
| 2 Changes in appropriation authority can include: reorganizations, transfers of authority among Medicaid programs, transfers of authority to other DPHHS programs, reallocations of authority between program functions within a division, additions due to budget amendments, and special session changes to HB 2. |  |   |                                |   |   |  |
| 3 Expenditure projections are based on DPHHS May 2020 Budget Status Report.   |  |   |                                |   |   |  |
| 4 The legislative appropriation has been adjusted to reflect the addition of HB 658 funding to the Budget Status Report since the time of the March Medicaid Monitoring Report.   |  |   |                                |   |   |  |

## BUDGET CHANGES

The \$1.8 million general fund increase at SLTC was a program transfer from HRD to help cover Community First Choice (CFC) benefits. The remaining general fund reduction in HRD was transferred from Hospital Services to the Medicaid and Health Services management division to cover administrative costs. The table

only represents benefits and claims and therefore only the benefits and claims portion is contained in the table.

The \$11.3 million dollar increase in federal funds at SLTC was transferred from HRD Medicaid Acute services to SLTC, primarily to cover CFC benefits.

## MAJOR SERVICE CATEGORIES

Data in the following table are taken from the DPHHS budget status report dated May 15, 2020. The largest projected expenditure categories are nursing homes/swing beds, disability services (and related services), inpatient hospital services, and children's mental health services.

| Category   | FY19 Ending Expenses   | FY20 Initial Budget    | FY20 Current Budget    | FY20 Expenditure Estimates | FY20 Projected Balance |
|--|------------------------|------------------------|------------------------|----------------------------|------------------------|
| Inpatient Hospital   | \$ 74,966,072          | \$ 83,061,588          | \$ 80,891,549          | \$ 75,020,597              | \$ 5,870,952           |
| Outpatient Hospital  | 48,108,824             | 53,304,051             | 51,911,448             | 48,051,906                 | 3,859,541              |
| Critical Access Hospital   | 53,322,978             | 59,081,276             | 57,537,738             | 50,663,983                 | 6,873,756              |
| Physician & Psychiatrists  | 68,225,629             | 75,593,250             | 73,618,326             | 69,406,776                 | 4,211,550              |
| Drugs  | 111,505,922            | 123,547,342            | 120,319,585            | 121,265,242                | (945,657)              |
| Drug Rebates   | (84,822,123)           | (84,822,123)           | (84,822,123)           | (92,350,414)               | 7,528,291              |
| Dental & Denturists  | 44,459,184             | 49,260,290             | 47,973,332             | 45,226,059                 | 2,747,273              |
| Other Practitioners  | 31,676,622             | 35,097,350             | 34,180,409             | 33,589,808                 | 590,601                |
| Other Hospital and Clinical Services                                       | 38,530,700             | 42,691,594             | 41,576,248             | 48,309,795                 | (6,733,547)            |
| Other Managed Care Services  | 8,684,735              | 9,622,592              | 9,371,195              | 7,646,421                  | 1,724,774              |
| Durable Medical Equipment  | 15,032,175             | 16,655,485             | 16,220,349             | 17,386,398                 | (1,166,048)            |
| Other Acute Services   | 6,009,108              | 6,658,026              | 6,484,081              | 5,761,205                  | 722,876                |
| Nursing Homes & Swing Beds   | 171,338,938            | 180,512,024            | 180,512,024            | 173,389,768                | 7,122,256              |
| Nursing Home IGT   | 5,590,334              | 13,637,907             | 13,637,907             | 5,590,334                  | 8,047,573              |
| Other SLTC Home Based Service  | 12,873,423             | 15,923,693             | 15,923,693             | 15,338,349                 | 585,344                |
| Personal Care  | 39,401,249             | 21,943,621             | 37,243,621             | 39,029,202                 | (1,785,581)            |
| SLTC HCBS Waiver   | 49,320,422             | 44,353,377             | 42,103,377             | 40,609,361                 | 1,494,016              |
| Adult Mental Health and Chem Dep   | 42,988,850             | 51,478,188             | 51,478,188             | 46,598,925                 | 4,879,263              |
| HIFA Waiver  | 6,987,521              | 7,032,128              | 7,032,128              | 7,676,955                  | (644,827)              |
| Children's Mental Health   | 87,530,004             | 95,014,016             | 95,014,016             | 86,481,753                 | 8,532,263              |
| School Based Services - 100% F   | 41,103,941             | 45,985,091             | 46,165,315             | 36,337,353                 | 9,827,962              |
| Indian Health Services - 100% Fe   | 77,489,871             | 94,556,232             | 94,556,232             | 79,173,568                 | 15,382,664             |
| Disability Services Waiver   | 123,386,149            | 131,467,599            | 131,467,599            | 129,635,788                | 1,831,811              |
| Autism   | 71,041                 | 4,000,000              | 4,000,000              | 265,322                    | 3,734,678              |
| Targeted Case Management   | 2,333,252              | 3,887,274              | 3,887,274              | 3,547,261                  | 340,013                |
| MDC & ICF Facilities - 100% Fed f  | 9,271,185              | 5,083,794              | 5,083,794              | 5,176,200                  | (92,406)               |
| Medicare Buy-In  | 44,598,918             | 48,599,651             | 49,987,729             | 46,757,185                 | 3,230,544              |
| Hospital Utilization Fees / DSH  | 49,795,105             | 52,075,707             | 68,394,708             | 66,393,795                 | 2,000,913              |
| Part-D Claw back   | 23,143,210             | 25,642,424             | 24,972,498             | 24,240,938                 | 731,560                |
| <b>Total</b>   | <b>\$1,202,923,238</b> | <b>\$1,310,943,448</b> | <b>\$1,326,722,241</b> | <b>\$1,236,219,832</b>     | <b>\$90,502,409</b>    |
| *Numbers in chart represent all funds: General, State Special and Federal. |                        |                        |                        |                            |                        |

# MONTANA HELP ACT – MEDICAID EXPANSION

The Health and Economic Livelihood Partnership (HELP) Act of the 2015 Montana Legislature expanded Medicaid in Montana, as allowed by the Patient Protection and Affordable Care Act (ACA). Specifically, this provides Medicaid coverage for adults ages 19-64, with incomes less than 138% of the federal poverty rate for Montana. The implementation of HELP has significantly impacted the budget of the State of Montana. As of January 1, 2020, benefits and claims for the expansion population are matched at a rate of 90% by federal funds (less an adjustment made for continuous eligibility). Unlike traditional Medicaid, there are no FMAP adjustments to the expansion population and the federal match rate will remain at 90% barring any changes to law. The purpose of this report is to provide an up-to-date synopsis of Medicaid expansion and the financial implications.

| Federal Match Rate |               |             |
|--------------------|---------------|-------------|
| Calendar Year      | Federal Share | State Share |
| 2016               | 100.0%        | 0.0%        |
| 2017               | 95.0%         | 5.0%        |
| 2018               | 94.0%         | 6.0%        |
| 2019               | 93.0%         | 7.0%        |
| 2020+              | 90.0%         | 10.0%       |

The 2019 Legislature passed HB 658, extending Medicaid expansion in Montana. Prior to HB 658 Medicaid expansion was statutorily appropriated. HB 658 includes appropriation authority for the 2021 biennium. As directed in HB 658, expansion appropriations will be included in HB 2 beginning in the 2023 biennium. HB 658 became effective July 1, 2019 and has a termination date of June 30, 2025.

The bill includes several changes to expansion including: establishing community engagement requirements, revising eligibility verification procedures, establishing an employer grant program, and enacting fees on health service corporations and on hospital outpatient revenue, in addition to others.

## EXPANSION IMPLEMENTATION STATUS

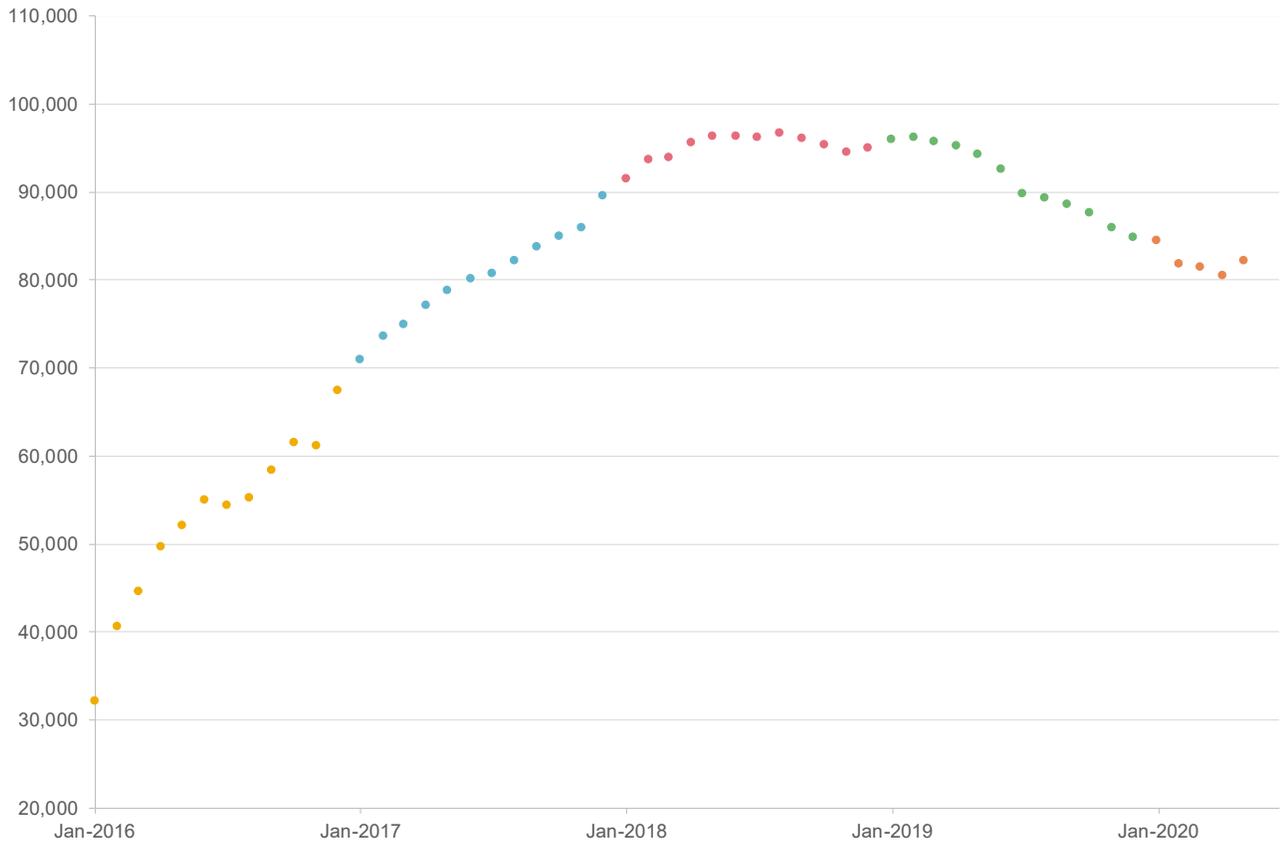
### Current Enrollment

As of April 2020, DPHHS was reporting a total of 80,466 individuals covered by Medicaid expansion. The enrollment growth rate for the HELP Act slowed each calendar year since the HELP act was implemented, and during CY 2019 and the first four months of CY 2020.

The graph below illustrates HELP Act enrollment since the program was instituted. Expansion enrollment reached a peak of 96,656 in August of 2018.

| Average Enrollees Added Per Month |         |
|-----------------------------------|---------|
| CY 2016                           | 2,943.3 |
| CY 2017                           | 1,550.3 |
| CY 2018                           | 283.7   |
| CY 2019                           | (927.3) |
| CY 2020 (4 months)                | (470.2) |

The number of HELP Act Enrollees increased during CY 2016 and CY 2017 before leveling off in CY 2018 and decreasing during CY 2019 and CY 2020.



## FINANCIAL UPDATE

Expenditures for Medicaid benefits experience a lag due to the fact that providers have up to a year to submit a billable claim. The expenditures below reflect all paid claims with a date of service during FY 2020. The amounts reflected are current through the end of April 2020.

## Expenditures

| Fiscal Year 2020 Montana HELP Act Expenditures  |                     |                     |                      |                      |
|---|---------------------|---------------------|----------------------|----------------------|
|   | General Fund        | State Special Funds | Federal Funds        | Total                |
| Benefits & Claims   |                     |                     |                      |                      |
| Health Resources Division   | \$23,849,265        | \$21,349,335        | \$562,264,574        | \$586,113,839        |
| Senior & Long Term Care   | 510,061             |                     | 6,490,186            | 7,000,246            |
| Addictive & Mental Disorders  | 3,148,129           |                     | 36,381,066           | 39,529,195           |
| Developmental Services Division   |                     |                     | 1,503                | 1,503                |
| Administration <sup>1</sup>   | 2,621,446           | 2,296,954           | 6,495,059            | 11,413,459           |
| <b>Total</b>  | <b>\$30,128,900</b> | <b>\$23,646,289</b> | <b>\$611,632,388</b> | <b>\$644,058,242</b> |
| <small>1 Administrative costs occur in Human and Community Services, Director's Office, Business and Financial Services, Quality Assurance, Technology Services, Developmental Services, Health Resources, Medicaid &amp; Health Services, and Operations Services Divisions.</small> |                     |                     |                      |                      |

The numbers in the expenditures chart are shown as currently reported in SABHRS (the state accounting system). However, DPHHS has indicated that some of this data will be adjusted at year end, resulting in lower general fund expenditures and higher state special fund expenditures.

## OTHER INTERACTIONS

### Department of Labor and Industry (DLI) HELP-Link – Financial Update

The Department of Labor and Industry was appropriated state special revenue of \$888,531 for FY 2020 in HB 2 to provide workforce activities included in the HELP Act. Through May 2020, DLI expended \$708,436, or approximately 79.7% of appropriated funds. This includes \$255,404 in personal services, \$46,115 in operating expenses, and \$406,917 in grants.

### HELP-Link Participation

Every HELP enrollee receives information about HELP-Link services. The first step in HELP-Link participation is completing the HELP-Link survey. The survey is available online and at all job service locations. As of April 1, 2020, 16,844 HELP clients had completed the survey. According to the department, more than 8,000 survey completers have received some form of employment services from DLI.

In order to become an official HELP-Link participant, a survey completer must make an in-person visit to a job service office.

| Medicaid Clients and DLI   |        |
|--|--------|
| HELP -Link Survey Completers   | 16,844 |
| DLI Clients  | 37,238 |
| Workforce Disenrollment Exemption  | 8,120  |
| HELP-Link Participants   | 0      |
| <small>Source: MT DLI on 04/1/2020. Total since 01/01/2016. DLI Clients are people who have received staff-assisted services from MT DLI while on Medicaid. This includes HELP Link, RESEA, WIOA, 100% appointments, Wagner-Peyser services, apprenticeships, etc.</small> |        |

All participants receive two basic services when they visit a job service office, an individualized employment plan and workforce/labor market information services. These two services are required for

HELP-Link enrollment. Information gathered by job service staff and the participant, including the HELP-Link survey, labor market information (including job openings and in-demand jobs in the state) and other services are used to develop an individualized employment plan. This process is what the department considers one-on-one intensive service. Additional information on the HELP-Link program can found in the 2019 HELP-Link Fiscal Year End Report available here:

<http://lmi.mt.gov/Publications/PublicationsContainer/help-link-2019-fiscal-year-end-report>.