

Medicaid Monitoring Report & Montana HELP Act Medicaid Expansion Report

A REPORT PREPARED FOR THE LEGISLATIVE FINANCE COMMITTEE

BY LFD Staff

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MEDICAID MONITORING

This report provides an update on the appropriation for traditional 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.

SUMMARY

In the first of their statutorily required Budget State Reports, dated November 16, 2020, DPHHS is projecting a surplus in general fund authority of \$11.1 million for traditional Medicaid benefits. The department is also projecting a surplus in state special funds of \$7.0 million, and a federal funds surplus of \$78.9 million. Statute requires agencies to spend state special funds before general fund.

In this same report, Medicaid expansion is projected to be facing a general fund budget deficit of \$8.0 million, with a surplus of state special revenue funds of \$13.2 million, and federal funds deficit of \$68.4 million.

FY 2021 MEDICAID FUNDING AND BUDGET CHANGES

The table on the following page illustrates the current status of the Medicaid appropriation from July - November of FY 2021. Estimated FY 2021 totals are DPHHS projections based on data through November 10, 2018. Projection totals are agency numbers included in the DPHHS Budget Status Report dated November 16, 2020. The numbers referenced in the summary above do not match the table below, as this table includes budget revisions through the end of November 2020.

After incorporating November budget changes into the data, the table on the next page indicates a Medicaid general fund surplus of \$7.0 million, as compared to the \$11.1 million referenced above.

The largest contributing factor to the total reduction in general fund authority is the elimination of \$44.6 million of general fund appropriations, as required by statute, where federal policy provides additional funding. The Families First Coronavirus Response Act (FFCRA) provides a temporary 6.2 percentage points increase to each qualifying state's FMAP beginning January 1, 2020. The increase 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, and the reductions made reflect an increased federal share through three quarters of FY 2021. An additional \$1.3 million of general fund authority was transferred from HRD to the Director's Office for COVID-related expenditures.

The overall decrease in state special revenue authority is largely due to a reduction of \$11.4 million in HRD that moves that same authority into Medicaid expansion. This allows the agency to pay Hospital Medicaid Supplemental Payments based on the Hospital Utilization Fee (HUF) at a ratio based on services provided under traditional Medicaid vs. Medicaid expansion.

While the federal funding changes by program appear significant, the overall impact to Medicaid is an increase of just \$1.6 million, with most adjustments simply moving authority between Medicaid divisions to align with funding needs.

Table 1: FY 2021 Medicaid Benefits & Claims Appropriations Compared to DPHHS Projections

	FY 2021 Legislative Appropriation ¹	Executive Changes in Legislative Appropriation ²	FY 2021 Modified Appropriation	FY 2021 Projected Expenditures ³	Projected Surplus (Deficit)	Surplus (Deficit) as a % of Modified Budget
<u>10 Developmental Services Div.</u>						
General Fund	\$79,141,124	(\$3,901,830)	\$75,239,294	\$72,928,207	\$2,311,087	3.1%
State Special Revenue	6,700,736	0	6,700,736	6,700,736	0	0.0%
Federal Funds	<u>204,297,046</u>	<u>(1,000,000)</u>	<u>203,297,046</u>	<u>177,629,314</u>	<u>25,667,732</u>	<u>12.6%</u>
Subtotal	290,138,906	(4,901,830)	285,237,076	257,258,257	27,978,819	9.8%
<u>11 Health Resources Division</u>						
General Fund	189,936,974	(29,850,784)	160,086,190	154,406,149	5,680,041	3.5%
State Special Revenue	67,185,138	(12,079,779)	55,105,359	52,952,504	2,152,855	3.9%
Federal Funds	<u>512,573,195</u>	<u>(19,480,000)</u>	<u>493,093,195</u>	<u>486,784,669</u>	<u>6,308,526</u>	<u>1.3%</u>
Subtotal	769,695,307	(61,410,563)	708,284,744	694,143,322	14,141,422	2.0%
<u>22 Senior and Long Term Care</u>						
General Fund	59,378,033	(11,302,318)	48,075,715	49,089,066	(1,013,351)	-2.1%
State Special Revenue	27,109,722	0	27,109,722	34,684,589	(7,574,867)	-27.9%
Federal Funds	<u>163,026,126</u>	<u>16,633,665</u>	<u>179,659,791</u>	<u>207,831,484</u>	<u>(28,171,693)</u>	<u>-15.7%</u>
Subtotal	249,513,881	5,331,347	254,845,228	291,605,139	(36,759,911)	-14.4%
<u>33 Addictive and Mental Disorders</u>						
General Fund	11,961,425	(1,312,792)	10,648,633	10,591,172	57,461	0.5%
State Special Revenue	11,240,484	2,750,560	13,991,044	10,808,029	3,183,015	22.8%
Federal Funds	<u>46,841,600</u>	<u>7,522,780</u>	<u>54,364,380</u>	<u>52,120,855</u>	<u>2,243,525</u>	<u>4.1%</u>
Subtotal	70,043,509	8,960,548	79,004,057	73,520,056	5,484,001	6.9%
<u>Grand Total All Medicaid Services</u>						
General Fund	340,417,556	(46,367,724)	294,049,832	287,014,594	7,035,238	2.4%
State Special Revenue	112,236,080	(9,329,219)	102,906,861	105,145,858	(2,238,997)	-2.2%
Federal Funds	926,737,967	3,676,445	930,414,412	924,366,322	6,048,090	0.7%
Grand Total All Funds	\$1,379,391,603	(\$52,020,498)	\$1,327,371,105	\$1,316,526,774	\$10,844,331	0.8%

¹As originally established in IBARS, based on legislative appropriations.

²Changes in appropriation authority can include: reorganizations, transfer of authority among Medicaid programs, transfers to/from other DPHHS programs, or additional federal authority as authorized in statute. Modifications listed here are as of December 1, 2020.

³Expenditure projections are based on the November 16 DPHHS Budget Status Report.

MAJOR SERVICE CATEGORIES

Data in the following table are taken from the DPHHS budget status report dated November 16, 2020. Due primarily to timing, the appropriation amount does not equal that in the previous chart. The largest projected expenditure categories are nursing homes/swing beds, disability services, and children's mental health services.

Medicaid Summary by Major Service Category

Category	FY 2020	FY 2021	FY 2021	FY 2021
	Ending Expenses	Current Budget	Expenditure Estimates	Projected Balance
Inpatient Hospital	\$70,731,140	\$83,881,549	\$86,359,107	(\$2,477,558)
Outpatient Hospital	44,121,328	52,324,412	52,689,789	(365,377)
Critical Access Hospital	46,854,070	55,565,229	55,721,451	(156,222)
Physician & Psychiatrists	64,650,105	76,669,922	76,727,466	(57,544)
Drugs	118,370,946	140,378,599	148,415,114	(8,036,515)
Drug Rebates	(92,073,815)	(107,869,953)	(107,869,953) -	
Dental & Denturists	40,258,462	47,743,358	43,287,684	4,455,675
Other Practitioners	30,821,136	36,551,435	32,025,235	4,526,200
Other Hospital and Clinical Services	45,168,631	53,977,711	55,298,267	(1,320,556)
Other Managed Care Services	7,683,185	9,111,651	7,758,323	1,353,329
Durable Medical Equipment	17,421,121	20,660,075	19,368,522	1,291,553
Other Acute Services	5,385,073	6,386,272	6,383,942	2,330
Nursing Homes & Swing Beds	184,361,393	184,914,904	180,501,708	4,413,196
Nursing Home IGT	5,709,801	13,659,898	5,964,802	7,695,096
Other SLTC Home Based Services	14,494,475	19,626,633	15,054,878	4,571,755
Personal Care	38,847,831	39,025,835	39,325,952	(300,117)
SLTC HCBS Waiver	39,286,770	48,996,401	49,255,805	(259,404)
Adult Mental Health and Chem Dep	46,774,689	68,682,364	62,109,146	6,573,218
HIFA Waiver	7,380,191	7,722,472	7,655,951	66,521
Children's Mental Health	115,863,466	157,342,683	122,500,466	34,842,217
Indian Health Services - 100% Fed funds	77,231,478	94,556,232	78,024,168	16,532,064
Disability Services Waiver	130,522,977	135,911,982	135,123,714	788,268
Autism	249,829	4,000,000	650,896	3,349,104
Targeted Case Management	3,037,738	3,899,550	3,559,591	339,959
MDC & ICF Facilities - 100% Fed funds	5,692,649	5,270,343	5,256,954	13,389
Medicare Buy-In	46,829,968	51,793,932	49,334,881	2,459,051
Hospital Utilization Fees / DSH	79,024,494	76,496,992	62,251,313	14,245,679
Part-D Clawback	22,116,001	26,227,831	23,801,401	2,426,430
Total	\$1,216,815,133	\$1,413,508,312	\$1,316,536,570	\$96,971,742

*Numbers in chart represent all fund types: general fund, 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. 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 as a result of the FFCRA 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.

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.

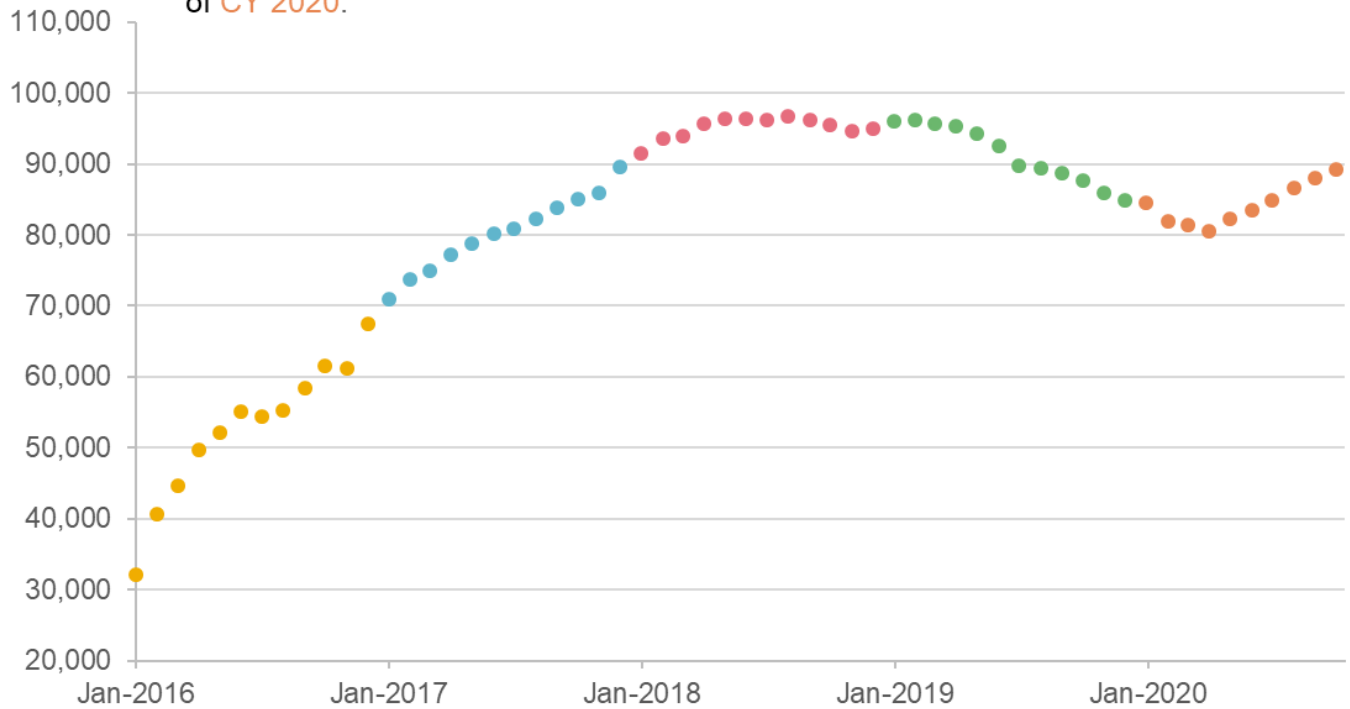
The bill includes several changes to expansion including the following: establishing community engagement requirements, revising eligibility verification procedures, establishing an employer grant program, and enacting fees on health service corporations and on hospital outpatient revenue, in addition to others. The majority of those changes are dependent upon a federal waiver from the Center for Medicare and Medicaid Services (CMS), which has not yet been approved.

ENROLLMENT UPDATE

As of October 2020, DPHHS was reporting a total of 89,299 individuals covered by Medicaid expansion. While enrollment had been trending downward since early 2019, the recent increase aligns closely with the COVID-19 pandemic and corresponding fiscal challenges.

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

HELP Act enrollment through October has increased by almost 9,000 since April of CY 2020.



FINANCIAL UPDATE

Fewer modifications have been made to the Medicaid expansion budget, leaving it with a projected \$8.0 million general fund deficit.

The one modification shown is a result of the \$11.4 million of state special revenue authority that was transferred from traditional Medicaid to Medicaid expansion within HRD. As mentioned, this authority is associated with Hospital Utilization Fees and Hospital Medicaid Supplemental Payments.

Table 3 summarizes the budget with modifications, DPHHS projections, and the resulting projected surplus or deficit.

Table 3: FY 2021 Medicaid expansion Benefits & Claims Appropriations Compared to DPHHS Projections

Agency and Fund Type	FY 2021 Legislative Appropriation ¹	Executive Changes in Legislative Appropriation ²	FY 2021 Modified Appropriation	FY 2021 Projected Expenditures ³	FY 2021 Budget Balance	Surplus/Deficit as a % of Budget
<u>10 Developmental Services Division</u>						
General Fund	\$1,242		\$1,242	\$691	\$551	44.4%
Federal Funds	11,181		11,181	6,221	4,960	44.4%
<u>11 Health Resources Division</u>						
General Fund	30,133,454		30,133,454	36,024,812	(5,891,358)	-19.6%
State Special Revenue	46,004,856	11,362,892	57,367,748	44,715,796	12,651,952	27.5%
Federal Funds	700,094,905		700,094,905	750,652,362	(50,557,457)	-7.2%
<u>22 Senior & Long Term Care</u>						
General Fund	812,262		812,262	937,465	(125,203)	-15.4%
Federal Funds	8,388,932		8,388,932	9,318,418	(929,486)	-11.1%
<u>33 Addictive & Mental Disorders</u>						
General Fund	4,778,824		4,778,824	6,764,004	(1,985,180)	-41.5%
State Special Revenue	2,368,904		2,368,904	32,770	2,336,134	98.6%
Federal Funds	43,009,416		43,009,416	60,938,166	(17,928,750)	-41.7%
<u>Grand Total All Medicaid Expansion Benefits</u>						
General Fund	35,725,782	0	35,725,782	43,726,972	(8,001,190)	-22.4%
State Special Funds	48,373,760	11,362,892	59,736,652	44,748,566	14,988,086	31.0%
Federal Funds	<u>751,504,434</u>	<u>0</u>	<u>751,504,434</u>	<u>820,915,167</u>	<u>(69,410,733)</u>	<u>-9.2%</u>
Total	\$835,603,976	\$11,362,892	\$846,966,868	\$909,390,705	(\$62,423,837)	-7.5%

¹As originally established in IBARS, based on legislative appropriations.

²Changes in appropriation authority can include: reorganizations, transfer of authority among Medicaid programs, transfers to/from other DPHHS programs, or additional federal authority as authorized in statute. Modifications listed here are as of December 1, 2020.

³Expenditure projections are based on the November 17 DPHHS Budget Status Report.

Appropriation authority for Medicaid expansion was established in HB 658, rather than in HB 2 (the general appropriations act).

MAJOR SERVICE CATEGORIES

A small discrepancy in authority exists between the previous table and this one, primarily as a result of funds that are being utilized in both traditional Medicaid and in Medicaid expansion. Those funds are included in this report in traditional Medicaid only, although they will be used by both, but in a split that cannot be accurately identified at this time.

By far the largest expenditure category, hospital utilization fees and supplemental payments account for 30.5% of the Medicaid expansion budget. Other categories of note are drugs, hospital services in general, mental health.

Medicaid Expansion Summary by Major Service Category

Category	FY 2020 Ending Expenses	FY 2021 Current Budget	FY 2021 Expenditure Estimates	FY 2021 Projected Balance
Inpatient Hospital	\$69,453,283	\$79,966,968	\$80,853,627	(\$886,659)
Outpatient Hospital	60,886,694	71,263,796	69,701,266	1,562,530
Critical Access Hospital	54,562,956	63,595,987	66,109,554	(2,513,567)
Physician & Psychiatrists	66,461,189	77,003,795	76,437,346	566,449
Drugs	155,908,513	162,081,514	188,781,850	(26,700,335)
Drug Rebates	(100,035,221)	(105,514,774)	(105,514,774)	-
Dental & Denturists	17,583,345	22,658,932	22,243,426	415,506
Other Practitioners	24,270,340	27,650,518	27,161,545	488,973
Other Hospital and Clinical Services	52,201,270	59,924,383	62,088,271	(2,163,888)
Other Managed Care Services	4,670,135	5,588,543	5,269,408	319,135
Durable Medical Equipment	7,200,465	7,316,842	9,138,056	(1,821,215)
Other Acute Services	13,741,514	15,135,159	18,267,007	(3,131,849)
Nursing Homes & Swing Beds	6,920,020	6,175,022	7,499,544	(1,324,522)
Other SLTC Home Based Services	1,578,161	1,623,731	1,287,609	336,122
Personal Care	1,392,952	1,338,529	1,468,730	(130,201)
SLTC HCBS Waiver	-	-	-	-
Adult Mental Health and Chem Dep	57,105,702	49,333,721	67,667,440	(18,333,719)
School Based Services	11,625	16,403	12,134	4,269
Indian Health Services - 100% Fed funds	56,740,278	43,414,324	59,714,754	(16,300,430)
Facilities	67,500	131,412	67,500	63,912
Hospital Utilization Fees / DSH	258,286,829	258,009,629	251,136,412	6,873,217
Total	\$809,007,548	\$846,714,434	\$909,390,705	(\$62,676,270)

OTHER INTERACTIONS

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

The Department of Labor and Industry has appropriated state special revenue of \$3,480,196 for FY 2021 in HB 2 to provide workforce activities included in the HELP Act. Through November 2020, DLI expended \$554,595, or approximately 16.0% of appropriated funds. This includes \$236,348 in personal services, \$37,224 in operating expenses, and \$281,023 in grants.