

THE MONTANA HELP ACT, MEDICAID EXPANSION UPDATE

A Report Prepared for the
Legislative Finance Committee

By
Quinn Holzer

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INTRODUCTION

The Health and Economic Livelihood Partnership (HELP) Act of the 2015 Montana Legislature expands Medicaid in Montana, as allowed by the Patient Protection and Affordable Care Act (ACA). Specifically, this will provide Medicaid coverage for adults ages 19-64, with incomes less than 138% of the federal poverty rate for Montana (approximately \$16,000 per year for an individual or \$28,000 per year for a family of three, per the DPHHS website). The implementation of this Act will significantly impact the budget of the State of Montana. Currently, the expansion population will be covered 100% by federal funds, with a phased-in reduction beginning in federal fiscal year 2017 to an eventual final federal matching rate of 90% (90% federal, 10% state) in 2020 and beyond. The purpose of this report is to provide an up-to-date synopsis of the Medicaid expansion and the financial implications.

EXPANSION IMPLEMENTATION STATUS

CURRENT ENROLLMENT

As of the July 1, 2016 data included in the HELP Act Oversight Committee report, there were 47,399 newly eligible Medicaid recipients under the HELP Act. Of these 15,147 are being administered by the Third Party Administrator (TPA), with 32,252 administered through DPHHS and the traditional Medicaid system. By September 1, 2016 the total had risen to 52,817 newly enrolled individuals.

In March, 32% of the enrollees were being administered by the TPA. This was reduced to 31.1% in April, 30.4% in May, and back up to 32.0% as of July 1 at fiscal year-end.

Under the CMS (Center for Medicare & Medicaid Services) waiver, Montana was limited in which individuals can be administered by the TPA. Specifically, while all newly eligible individuals below 138% of the federal poverty level are a part of the expansion, and qualify for the enhanced FMAP, only those above 50% of the federal poverty level are administered by the TPA. Additionally, the waiver specifically exempted medically frail individuals, and the department has also exempted qualified Native Americans.

THIRD PARTY ADMINISTRATOR

Blue Cross and Blue Shield of Montana (BCBS) is the authorized TPA for the Medicaid expansion in Montana.

The contract requires payment to the TPA weekly for the services covered, and monthly for the administrative fee set on a "per member per month" (PMPM) basis. The rate for this was \$26.39 PMPM in FY 2016, and contractually reduces to \$25.39 in FY 2017.

MONTANA HELP ACT OVERSIGHT COMMITTEE

Attached to this report is the "HELP Act Oversight Committee Report to the Governor and Legislative Finance Committee." This report is required per the HELP Act, and provides further information from that committee. This report was approved at the last meeting, held July 13, 2016.

Contained within that report is an overview of HELP-Link, the workforce development aspect of the HELP Act administered by the MT Department of Labor & Industry. (pp 7-8)

FINANCIAL UPDATE

Medicaid can experience a significant delay in payments as compared to services provided. Providers have up to a year to submit a final payable claim to Medicaid. As a result, the FY 2016 expenditures are not considered “final” and are subject to change until the completion of FY 2017.

EXPENDITURES

Fiscal Year 2016 Montana HELP Act Expenditures Including Accruals			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$1,300,127	\$129,368,682	\$130,668,809
Senior & Long-Term Care	0	2,374,546	2,374,546
Addictive & Mental Disorders	<u>0</u>	<u>13,793,154</u>	<u>13,793,154</u>
	1,300,127	145,536,382	146,836,508
Administration			
Personal Services	226,800	385,936	612,736
Operating Expenses	<u>2,381,522</u>	<u>6,619,069</u>	<u>9,000,591</u>
	2,608,322	7,005,005	9,613,327
Third Party Administrator	1,059,831	1,059,933	2,119,764
TOTAL	\$4,968,280	\$153,601,319	\$158,569,600

Throughout FY 2016, the federal match rate was 100%, indicating that for Benefits & Claims expenses, there should be no cost to the State of Montana. However, as can be seen above, \$1.3 million of general fund was spent on Benefits & Claims for the Medicaid expansion. This general fund expenditure is a result of CMS stipulation that allowed DPHHS to institute continuous eligibility for these participants, but requires that 2.6% of all services provided will be reimbursed at the traditional FMAP (65.24% federal match in federal fiscal year 2016) for Medicaid.

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 above table indicates a total of \$130.7 million for Benefits & Claims in FY 2016. The federal matching rate is scheduled to adjust as shown in the table on the right.

SAVINGS FROM POPULATION TRANSITION

Also provided to the LFC at this meeting is a memo from the executive branch detailing their methods for calculating the savings captured as a result of the HELP Act. The Office of Budget and Program Planning (OBPP) has calculated a savings of almost \$9.4 million in FY 2016 due to the transition of 8,458 members from traditional Medicaid to the enhanced FMAP available under the Medicaid expansion.

This amount is reflected in the DPHHS reports on their budget as a reduction to the total appropriation, as a result of the SB 418 requirement that they “freeze” this appropriation and not spend it on anything else.

PREMIUM INCOME

A total of \$1.4 million of revenues were recorded as general fund revenue by the department as a result of premium payments in FY 2016. An additional \$0.4 million was recorded as a revenue accrual, reflecting the expected actual FY 2016 total premium revenue of \$1.7 million. Premiums are paid only by those members administered by the TPA, and are deposited in the general fund.

Since the federal share of benefits and claims is currently 100%, all premium revenue will be offset by a reduction in federal funds of the same amount, effectively crediting revenues to the federal funds. As the matching rate changes, Montana will maintain receipt of a like share.

The current average premium amount is \$25.62 per month, as reported by DPHHS September 1, 2016. In FY 2016, premium income appeared to average around \$250,000 per month. However, so far in FY 2017, even using only partial data for September, the average is just over \$300,000 per month. The average premium collection for July and August was just over \$350,000. The department has also included accruals for FY 2016 indicating they expect the final average premium income for FY 2016 to be closer to \$290,000.

FY 2017 BUDGET

The department has initially established statutory appropriation authority for FY 2017 in the amount of \$285.8 million, including \$9.7 million general fund authority. This includes \$278.3 million for Benefits & Claims and \$7.4 million for Administration. These numbers are only preliminary estimates at this time, and changes to this statutory appropriation are expected.

Through September 16, 2017, Benefits & Claims expenses totaled \$51.1 million for FY 2017.

OTHER DEPARTMENT INTERACTIONS

DEPARTMENT OF LABOR AND INDUSTRY (DLI) HELP-LINK

DLI received an appropriation in the HELP Act to provide workforce training and development specific to the participants in the Medicaid expansion. HELP-Link participation continued to grow through FY 2016. Reports provided by DLI indicated participation rates as follows:

March 10:	198 active participants
June 2:	426 active participants
June 30:	565 total participants (487 currently enrolled)

The attached report from DLI was provided to the HELP Act Oversight Committee in July, and provides more detail regarding this program.

As previously reported, DLI was provided a biennial appropriation of \$1.8 million of state special revenue in HB 2 to provide workforce development training in association with the HELP Act. Through the end of FY 2016 DLI expended \$604,164. This includes \$260,165 in personal services, \$247,832 in operating expenses, and \$96,167 in grants.

DEPARTMENT OF REVENUE (DOR)

The HELP Act provided DOR with a biennial appropriation of \$393,213 of general fund which includes 0.5 full-time equivalent (FTE) in FY 2016 and 1.0 FTE in FY 2017. This appropriation was specifically made for the administration of the "taxpayer integrity fee," which effectively creates an asset test for HELP Act participants. DOR has made no expenditures as of September 26, 2016.

SUMMARY

The HELP Act has been fully implemented, and Medicaid services are being delivered and paid for via 100% federal funds at this time. General fund is being utilized to provide matching funds for administrative costs associated both with the TPA and the expansion population being managed through the traditional Medicaid system, in addition to an adjustment to benefits and claims as a result of utilizing continuous eligibility for individuals in the expansion. Savings to the general fund have been identified and quantified as detailed in a separate memo from OBPP. FY 2016 has been completed, but actual expenditures and average per-member costs will not be official until July 1, 2018.