

# THE MONTANA HELP ACT, MEDICAID EXPANSION UPDATE

A Report Prepared for the  
Legislative Finance Committee

By  
**Quinn Holzer, Fiscal Analyst**

March 10, 2016

## **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 (PPACA or 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 any financial implications.

## **EXPANSION IMPLEMENTATION STATUS**

### **THIRD PARTY ADMINISTRATOR (TPA)**

The contract with Blue Cross and Blue Shield of Montana was signed December 16, 2015. The initial Per Member Per Month (PMPM) fee is established at \$26.39, compared to the assumption used in the fiscal note of \$20.07. After July 1, 2016, the PMPM fee will be on a sliding scale based on enrollment, with the cost reducing slightly with higher enrollment. (The base will be \$25.39 up to 25,000 enrollees, with a low possible of \$25.00 if there are more than 40,000 enrollees.) Beginning in year two, this fee will adjust based on the consumer price index (CPI), not to exceed 3%.

The TPA fee is considered administration of the Medicaid expansion, and has a different matching rate than Medicaid services. The Department of Public Health & Human Services has reported they are still negotiating with the Center for Medicare & Medicaid Services (CMS) to finalize what the match rate will be. Administration matches can range from 50% federal and 50% state funded to 90% federal and 10% state funded.

### **CURRENT ENROLLMENT**

As of March 1, DPHHS reported 36,320 newly eligible Medicaid recipients under the HELP Act. Of these 11,582 are being administered by the TPA with 24,738 administered through the department and the traditional Medicaid system.

Under the CMS waiver, Montana was limited in which individuals would be administered by the TPA. Specifically, while all newly eligible individuals below 133% 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.

As a result, less than 1/3 of the current expansion population is actually being administered through the TPA. The rest are still considered part of the expansion population, and are eligible for the enhanced FMAP, but will be managed through the existing MMIS system.

## **MONTANA HELP ACT OVERSIGHT COMMITTEE**

The next meeting of the Oversight Committee has been scheduled for Tuesday, March 22 at 1:00 pm. The previous meeting was prior to the December LFC meeting, so there is no update at this time.

The HELP Act stipulated that the Oversight Committee is to deliver a final report to the LFC in August of even numbered years and will be available for your review at the September meeting.

## FINANCIAL UPDATE

The department has established initial budget authority, based on the statutory appropriation in the HELP Act, which authorizes both federal funds and general funds for all necessary benefits and administration. The budget established to date is intended for the first quarter of expenditures (which is the third quarter of the fiscal year). Additional appropriation authority will be established for the final quarter of fiscal year (FY) 2016. This initial appropriation totals \$41.4 million, including \$0.5 million general fund, with the remainder being federal funds.

Montana HELP Act Expenditures As of March 1, 2016	
Division	Federal Funds
Health Resources Division	\$19,467,929
Addictive & Mental Disorders	1,637,531
Senior & Long-Term Care	158,402
<b>TOTAL</b>	<b>\$21,263,862</b>

As of March 1, \$21.3 million in federal funds have been expended. The majority of this (91.6%) has been expended through the Health Resources Division. All expenditures to date have been from federal funds, and for benefits and claims.

## OTHER DEPARTMENT INTERACTIONS

### DEPARTMENT OF LABOR AND INDUSTRY (DLI)

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. As of March 1, 2016 DLI has spent approximately \$235,000 of which \$124,000 is personal services and the remainder can be attributed to operating expenses.

DLI has developed rules for the implementation of this workforce development training, and those rules were reviewed by the Economic Affairs interim committee, with no issues raised. These are the rules that lay out the requirements for individuals who will not be subject to disenrollment for nonpayment of premiums, due to their participation in the workforce development program.

### 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. DOR has allocated \$31,719 to FY 2016, however there are no expenditures recorded at this time.

## SUMMARY

The first half of FY 2016 was very busy with activities related to the preparation and implementation of the HELP Act. Since the act was officially effective in November, the transition was made to enrolling new members, and providing benefits beginning January 1, 2016. As of March 1, \$21.3 million federal funds expenditures have been recorded against the statutory appropriation.