

MEDICAID MONITORING REPORT AND MONTANA HELP ACT MEDICAID EXPANSION REPORT

A Report Prepared for the
Legislative Finance Committee

By
Jon Arnold

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MEDICAID MONITORING

As part of its interim work plan, the Legislative Finance Committee (LFC) chose to monitor the Medicaid program administered by the Department of Public Health and Human Services (DPHHS) via a report at each committee meeting. 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.

FY 2018 MEDICAID FUNDING AND EXPENDITURES

DPHHS is currently projecting a surplus in general fund authority of \$21.1 million for Medicaid benefits. The department is also showing a surplus in state special funds of \$2.0 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 July-October of FY 2019. Estimated FY 2019 totals are DPHHS projections based on data through November 5, 2018. Projection totals are department numbers included in the DPHHS Budget Status Report dated November 15, 2018.

The largest contributing factors to the projected general fund surplus are at HRD, \$10.1 million and SLTC, \$7.9 million. HRD programs projecting the largest surplus/(deficit) include: acute services and pharmacy, \$10.5 million, hospitals and clinical services, \$9.2 million, and managed care benefits (\$11.6 million).

SLTC programs projecting a surplus include: Medicaid nursing home, \$6.5 million, and Money Follows the Person, \$2.4 million.

Table 1: FY 2019 Medicaid Benefits & Claims Appropriations Compared to DPHHS Expenditures

Division/Fund	FY 2019 Legislative Appropriation ¹	Executive Changes in Legislative Appropriation ²	FY 2019 Modified Appropriation	FY 2019 Expenditures Projected	Estimated Expenditures (Over) Under Appropriation	Estimated Balance as a % of Modified Appropriation
<u>10 Developmental Services Div.</u>						
General Fund	\$70,433,447	\$0	\$70,433,447	\$68,870,880	\$1,562,567	2.2%
State Special Revenue	8,677,204	0	8,677,204	5,887,784	2,789,420	32.1%
Federal Funds	<u>194,367,498</u>	<u>0</u>	<u>194,367,498</u>	<u>178,427,499</u>	<u>15,939,999</u>	<u>8.2%</u>
Subtotal	273,478,149	0	273,478,149	253,186,163	20,291,986	7.4%
<u>11 Health Resources Division</u>						
General Fund	163,920,191	0	163,920,191	153,795,719	10,124,472	6.2%
State Special Revenue	65,916,676	914,769	66,831,445	67,984,772	(1,153,327)	-1.7%
Federal Funds	<u>494,359,302</u>	<u>0</u>	<u>494,359,302</u>	<u>442,859,344</u>	<u>51,499,958</u>	<u>10.4%</u>
Subtotal	724,196,169	914,769	725,110,938	664,639,835	60,471,103	8.4%
<u>22 Senior and Long Term Care</u>						
General Fund	65,032,228	0	65,032,228	57,087,261	7,944,967	12.2%
State Special Revenue	36,091,646	0	36,091,646	35,357,160	734,486	2.0%
Federal Funds	<u>196,955,249</u>	<u>(0)</u>	<u>196,955,249</u>	<u>184,034,472</u>	<u>12,920,777</u>	<u>6.6%</u>
Subtotal	298,079,123	0	298,079,123	276,478,893	21,600,230	7.2%
<u>33 Addictive and Mental Disorders</u>						
General Fund	11,092,758	0	11,092,758	9,597,544	1,495,214	13.5%
State Special Revenue	8,793,317	0	8,793,317	9,175,836	(382,519)	-4.4%
Federal Funds	<u>41,252,026</u>	<u>0</u>	<u>41,252,026</u>	<u>38,830,611</u>	<u>2,421,415</u>	<u>5.9%</u>
Subtotal	\$61,138,101	\$0	\$61,138,101	\$57,603,991	\$3,534,110	5.8%
<u>Grand Total All Medicaid Services</u>						
General Fund	310,478,624	0	310,478,624	289,351,404	21,127,220	6.8%
State Special Revenue	119,478,843	914,769	120,393,612	118,405,552	1,988,060	1.7%
Federal Funds	<u>926,934,075</u>	<u>(0)</u>	<u>926,934,075</u>	<u>844,151,926</u>	<u>82,782,149</u>	<u>8.9%</u>
Grand Total All Funds	\$1,356,891,542	\$914,769	\$1,357,806,311	\$1,251,908,882	\$105,897,429	7.8%
1 As of July 1, 2018.						
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 November 2018 Budget Status Report.						

BUDGET CHANGES

The Medicaid benefits and claims budget increased by \$914,769 through executive modifications between July 1, 2018 and the end of October 2018. The increase was the result of state special revenue being added at HRD from the university system to partially fund a primary care residency program known as the Graduate Medical Education program.

MAJOR SERVICE CATEGORIES

Data in the following table are taken from the DPHHS budget status report dated November 15, 2018. As a result, the initial appropriation amount does not equal that in the previous chart for the legislative appropriation. DPHHS has included most of their budget modification in the initial budget, and include only the addition of the university system transfer as a current modification. 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	FY18 Ending Expenses	FY19 Initial Budget	FY19 Current Budget	FY19 Expenditure Estimates	FY19 Projected Balance
Inpatient Hospital	\$ 89,972,613	\$ 101,959,924	\$ 101,959,924	\$ 93,637,166	\$ 8,322,758
Outpatient Hospital	51,088,373	57,895,024	57,895,024	53,169,185	4,725,840
Critical Access Hospital	50,413,213	57,129,911	57,129,911	52,466,526	4,663,385
Physician & Psychiatrists	64,694,323	73,313,735	73,313,735	67,329,300	5,984,434
Drugs	109,518,049	124,109,455	124,109,455	113,978,681	10,130,774
Drug Rebates	(88,640,513)	(82,628,542)	(82,628,542)	(73,277,611)	(9,350,931)
Dental & Denturists	45,322,015	51,360,397	51,360,397	47,167,965	4,192,433
Other Practitioners	28,075,124	31,815,654	31,815,654	29,218,614	2,597,040
Other Hospital and Clinical Services	32,810,690	37,182,153	37,182,153	34,147,058	3,035,095
Other Managed Care Services	12,612,789	14,293,227	14,293,227	13,126,504	1,166,724
Durable Medical Equipment	15,853,586	17,965,805	17,965,805	16,499,297	1,466,508
Other Acute Services	7,146,191	8,098,299	8,098,299	7,437,253	661,046
Nursing Homes & Swing Beds	152,950,280	179,881,041	179,881,041	162,977,403	16,903,638
Nursing Home IGT	11,255,621	17,526,072	17,526,072	11,255,621	6,270,451
Other SLTC Home Based Services	9,674,592	5,857,582	5,857,582	12,235,405	(6,377,823)
Personal Care	39,898,874	38,190,601	38,190,601	38,770,451	(579,850)
SLTC HCBS Waiver	43,491,172	55,074,776	55,074,776	49,663,086	5,411,690
Adult Mental Health and Chem Dep	44,257,178	49,747,131	49,747,131	47,399,603	2,347,528
HIFA Waiver	7,149,683	7,449,801	7,449,801	6,968,713	481,088
Children's Mental Health	94,247,378	101,351,126	101,351,126	92,116,052	9,235,074
School Based Services - 100% Fed funds	41,560,617	39,966,770	39,966,770	36,181,513	3,785,257
Indian Health Services - 100% Fed funds	74,823,244	94,556,232	94,556,232	91,253,528	3,302,704
Disability Services Waiver / Autism / Targeted Case Mgt	118,894,728	131,745,253	131,745,253	124,638,598	7,106,655
MDC & ICF Facilities - 100% Fed funds	7,675,182	5,905,220	5,905,220	5,062,601	842,619
Medicare Buy-In	43,122,324	40,137,486	40,137,486	46,280,436	(6,142,950)
Hospital Utilization Fees / DSH	37,626,683	72,609,412	72,609,412	48,959,392	23,650,020
Part-D Clawback	22,336,772	25,312,765	25,312,765	23,246,541	2,066,224
Total	\$1,167,830,781	\$1,357,806,311	\$1,357,806,311	\$1,251,908,881	\$105,897,430

*Numbers in chart include 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. Currently, benefits and claims for the expansion population are matched at a rate of 94% by federal funds (less an adjustment made for continuous eligibility), with a phased-in reduction 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.

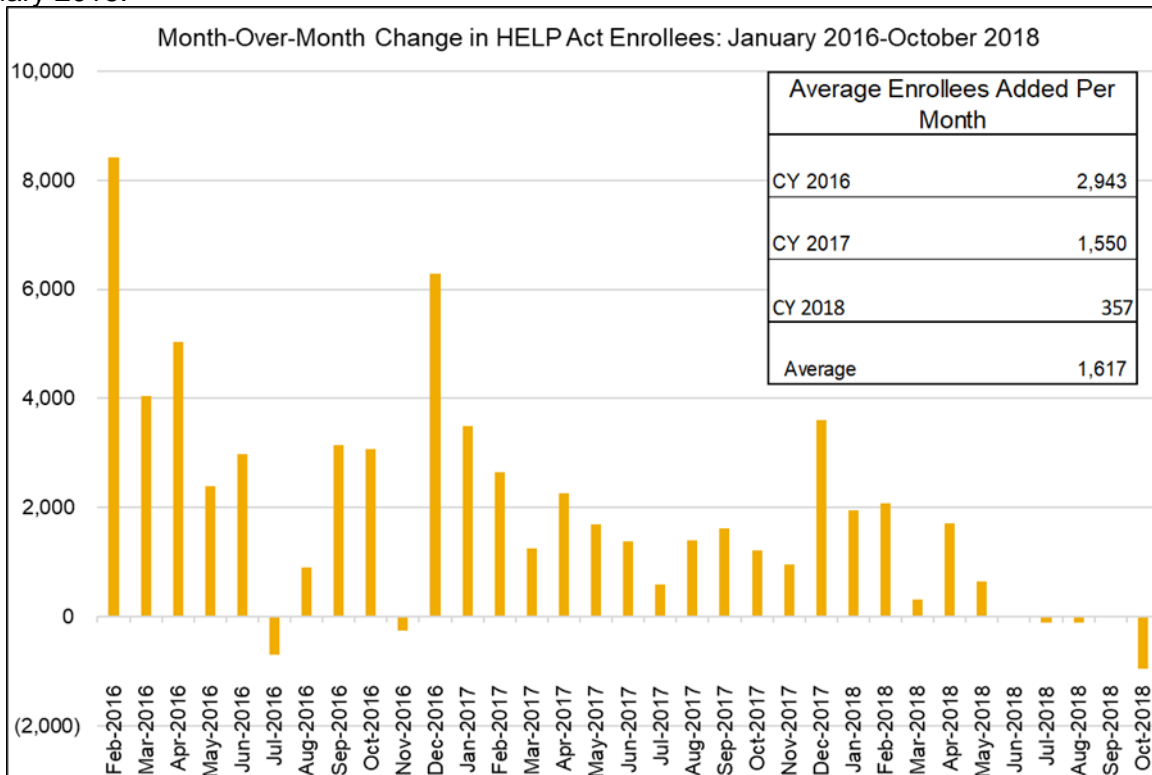
Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

The HELP Act includes a sunset clause that voids the legislation after June 30, 2019. Without action, Medicaid expansion in Montana will cease to exist at that time.

EXPANSION STATUS

Current Enrollment

As of November 2018, nearly one in ten Montanans is enrolled in Medicaid expansion. As of October 2018, DPHHS was reporting a total of 95,128 individuals covered by Medicaid expansion. According to department data, the expansion population has decreased slightly each month since peaking in June 2018 at 96,319. The graph below shows monthly HELP Act enrollment changes since enrollment began in January 2016.



With the exception of February 2016, when the HELP act was first being implemented, the month of December has shown the highest levels of growth in HELP participants. This corresponds to the open enrollment period for most ACA exchanges which runs from November 1st through December 15th.

MONTANA HELP ACT OVERSIGHT COMMITTEE

The HELP oversight committee held a conference call on August 7, 2018. Committee members discussed proposed recommendations to the executive. A total of four recommendations were adopted including a recommendation to continue the HELP Act, “beyond its scheduled sunset date and...make sure that, one way or another, the state’s budget has the money to fund the state’s small share of the cost”. A complete list of the committee’s recommendations are available in the HELP act oversight committee’s 2018 Report to the Governor which can be found [here](#).

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 2016 through FY 2018. The HELP act took effect on January 1, 2016 thus FY 2016 only had benefits and claims for 6 months. In the traditional Medicaid tables presented earlier in this report, only benefits and claims are covered. The HELP Act expenditures presented below show benefits and claims, and administration as these are statutorily appropriated outside of HB 2.

Some of the Federal funds received to cover HELP claims and benefits have not been matched with general funds. About 6.0% of total HELP expenditures have covered Native Americans that have qualified for HELP through Indian Health Services (IHS). IHS benefits and claims are covered with 100% federal funds. In addition, more than 21.0% of total HELP expenditures have covered hospital utilization fees (HUF). State special funds are used to cover the state match for HUF payments and are not included in the totals below.

HELP Expenditures FY 2016 - FY 2018				
General Fund	FY 2016	FY 2017	FY 2018	Total
Admin	\$4,176,918	\$8,535,488	\$10,671,875	\$23,384,281
Benefits	<u>1,426,491</u>	<u>16,275,348</u>	<u>31,961,909</u>	<u>49,663,749</u>
Subtotal	5,603,410	24,810,836	42,633,784	73,048,030
Federal Funds				
Admin	8,004,159	7,882,367	11,652,574	27,539,100
Benefits	<u>129,057,813</u>	<u>541,639,188</u>	<u>661,335,201</u>	<u>1,332,032,202</u>
Subtotal	137,061,972	549,521,554	672,987,775	1,359,571,301
Grand Total	\$142,665,382	\$574,332,390	\$715,621,560	\$1,432,619,332

FY 2019 HELP Expenditures

The expenditures below reflect all paid HELP claims with a date of service during FY 2019 through the end of October 2018.

Fiscal Year 2019 Montana HELP Act Expenditures			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$5,901,898	\$108,928,682	\$114,830,580
Senior & Long Term Care	104,946	1,964,246	2,069,191
Addictive & Mental Disorders	<u>678,020</u>	<u>10,692,139</u>	<u>11,370,159</u>
Subtotal	6,684,864	121,585,067	128,269,931
Administration			
Personal Services	143,082	316,469	459,551
Operating Expenses	<u>586,938</u>	<u>1,608,176</u>	<u>2,195,114</u>
Subtotal	730,020	1,924,645	2,654,665
Total	\$7,414,884	\$123,509,712	\$130,924,596

OTHER INTERACTIONS

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

The Department of Labor and Industry was appropriated state special revenue of approximately \$888,531 for FY 2019 in HB 2 to provide workforce activities included in the HELP Act. Through the end of October 2018, DLI had expended \$338,850. This includes approximately \$104,840 in personal services, \$18,072 in operating expenses, and \$215,938 in grants.