

# MEDICAID MONITORING REPORT AND MONTANA HELP ACT MEDICAID EXPANSION REPORT

A Report Prepared for the  
Legislative Finance Committee

By  
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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 deficit in general fund authority of \$3.4 million for total Medicaid benefits, including the utilization of \$5.3 million in caseload contingency funding authorized in HB 2. The department is also showing a surplus in state special funds of \$1.8 million. Statute requires agencies to spend state special funds before general fund, which suggests the projected surplus in state special would reduce the general fund deficit to \$1.6 million. In addition, the department has expressed an intent to revert two program transfers (discussed below) totaling \$4.4 million general fund, creating a potential surplus of \$2.8 million. The table on the following page illustrates the current status of the Medicaid appropriation from July-May of FY 2018. Current actual expenditures are through May 31, 2018, while the estimated FY 2018 totals are DPHHS projections based on data through May 5, 2018. Projection totals are department numbers included in the DPHHS Budget Status Report dated May 15, 2018.

The largest contributing factors to the projected general fund deficit are in hospital and clinical services (\$7.8 million), Medicare buy-in (\$3.0 million), managed care (\$3.7 million), children's mental health services (\$1.8 million), and Community First Choice benefits (\$2.7 million). These deficits are partially offset by other Medicaid categories projected to have a surplus including \$5.3 million in acute services and pharmacy, \$2.1 million in the Big Sky waiver, \$1.1 million in Money Follows the Person, and \$1.0 million for nursing homes.

## BUDGET CHANGES

DSD and HRD were the only divisions with Medicaid budget modifications during the current reporting period. General fund authority of \$2.5 million was added to Medicaid in DSD. HRD reduced general fund authority by \$4.4 million and added \$769,000 in state special revenue.

HB 639 authorized the department to "transfer from Montana Developmental Center for other necessary services for individuals served or who would have otherwise been served at the Montana Developmental Center". The \$2.5 million in general fund added to DSD Medicaid was a transfer from Montana Developmental Center (MDC) to the Developmentally Disabled waiver. This appears as a gain in the Medicaid appropriation as the money was transferred from a non-Medicaid subclass to Medicaid.

The budget change in HRD moved \$4.4 million in general fund out of Medicaid (hospital services) to Children and Family Services (CFS) and Disability Employment & Transitions (DET). According to the department the move is a temporary transfer of authority which they intend to reverse after receipt of the supplemental transfer. The change to state special revenue was the result of a program transfer from big sky RX to Medicaid acute services & pharmacy.

FY 2018 Medicaid Benefits & Claims Appropriations Compared to DPHHS Projected Expenditures							
Division/Fund	FY 2018 Legislative Appropriation <sup>1</sup>	Changes in Legislative Appropriation <sup>2</sup>	FY 2018 Modified Appropriation	FY 2018 Current Expenditures	Estimated FY 2018 Expenditures <sup>3</sup>	Estimated Expenditures (Over) Under Appropriation	Estimated Balance as a % of Modified Appropriation
<b>10 Developmental Services Div.</b>							
General Fund	\$64,515,005	\$2,500,000	\$67,015,005	\$54,962,921	\$68,317,748	(\$1,302,743)	-2.0%
State Special Revenue	5,960,183	0	5,960,183	5,960,183	6,032,582	(72,399)	-1.2%
Federal Funds	<u>188,881,592</u>	<u>0</u>	<u>188,881,592</u>	<u>146,315,879</u>	<u>177,907,468</u>	<u>10,974,124</u>	<u>5.8%</u>
Subtotal	259,356,780	2,500,000	261,856,780	207,238,983	252,257,798	9,598,982	3.7%
<b>11 Health Resources Division</b>							
General Fund	152,953,441	(4,390,000)	148,563,441	107,842,729	152,911,790	(4,348,349)	-2.8%
State Special Revenue	66,833,445	769,000	67,602,445	51,686,931	65,701,761	1,900,684	2.8%
Federal Funds	<u>464,188,082</u>	<u>0</u>	<u>464,188,082</u>	<u>311,675,217</u>	<u>437,690,770</u>	<u>26,497,312</u>	<u>5.7%</u>
Subtotal	683,974,968	(3,621,000)	680,353,968	471,204,877	656,304,321	24,049,647	3.5%
<b>22 Senior and Long Term Care</b>							
General Fund	60,579,071	0	60,579,071	47,620,253	58,643,652	1,935,419	3.2%
State Special Revenue	29,760,526	0	29,760,526	23,238,898	29,403,838	356,688	1.2%
Federal Funds	<u>181,747,379</u>	<u>0</u>	<u>181,747,379</u>	<u>141,861,225</u>	<u>175,772,841</u>	<u>5,974,538</u>	<u>3.3%</u>
Subtotal	272,086,976	0	272,086,976	212,720,376	263,820,331	8,266,645	3.0%
<b>33 Addictive and Mental Disorders</b>							
General Fund	9,566,604	0	9,566,604	6,943,724	9,212,366	354,238	3.7%
State Special Revenue	8,860,606	0	8,860,606	7,874,366	9,200,354	(339,748)	-3.8%
Federal Funds	<u>41,936,972</u>	<u>0</u>	<u>41,936,972</u>	<u>31,030,458</u>	<u>38,340,880</u>	<u>3,596,092</u>	<u>8.6%</u>
Subtotal	\$60,364,182	\$0	\$60,364,182	\$45,848,549	\$56,753,600	\$3,610,582	6.0%
<b>Grand Total All Medicaid Services</b>							
General Fund	287,614,121	(1,890,000)	285,724,121	217,369,626	289,085,556	(3,361,435)	-1.2%
State Special Revenue	111,414,760	769,000	112,183,760	88,760,378	110,338,535	1,845,225	1.7%
Federal Funds	876,754,025	0	876,754,025	630,882,780	829,711,959	47,042,066	5.4%
Grand Total All Funds	\$1,275,782,906	-\$1,121,000	\$1,274,661,906	\$937,012,785	\$1,229,136,050	\$45,525,856	3.6%
1 As of February 28, 2018, as reported in the March report to the LFC.							
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 Estimated expenditures are based on the DPHHS May budget status report (BSR) which runs through April 30, 2018.							

## MAJOR SERVICE CATEGORIES

The following table presents budgets and expenditures from all funds for major Medicaid service categories from July - April of FY 2018 (expenditure and budget data is through April 30; estimates are through May 5). Data in this table is from the DPHHS budget status report dated May 15, 2018. The largest projected expenditure categories are nursing homes/swing beds, disability services (and related services), inpatient hospital services, and children's mental health services.

Medicaid Budget and Expenditures by Major Service Category					
Category	FY17 Ending Expenditures	SF 18 Initial Budget	FY 18 Current Budget	FY 18 Expenditure Estimates	FY 18 Projected Balance
Inpatient Hospital	102,040,081	107,653,245	96,100,897	96,161,725	(60,828)
Outpatient Hospital	55,672,519	59,882,537	58,215,199	54,033,147	4,182,052
Critical Access Hospital	55,597,095	59,353,070	58,886,776	51,829,020	7,057,756
Physician & Psychiatrists	71,145,530	71,062,978	70,504,687	67,458,871	3,045,816
Drugs	109,489,225	119,710,644	115,781,035	111,117,654	4,663,382
Drug Rebates	(69,445,384)	(73,655,227)	(73,076,571)	(71,034,387)	(2,042,184)
Dental & Denturists	43,120,008	48,001,054	47,623,944	46,818,297	805,647
Other Practitioners	25,956,649	27,446,426	27,230,799	28,605,778	(1,374,978)
Other Hospital and Clinical Services	30,528,889	31,459,978	31,212,819	35,303,552	(4,090,732)
Other Managed Care Services	13,810,198	13,716,888	11,648,481	12,022,362	(373,881)
Durable Medical Equipment	16,510,103	16,605,317	16,474,861	15,672,613	802,248
Other Acute Services	4,517,287	4,186,948	4,154,055	7,582,453	(3,428,398)
Nursing Homes & Swing Beds	151,168,944	159,230,413	157,706,180	156,140,989	1,565,191
Nursing Home IGT	12,838,949	17,602,047	17,602,047	12,728,940	4,873,107
Other SLTC Home Based Services	10,201,546	8,395,221	8,395,221	9,496,236	(1,101,015)
Personal Care	44,001,523	35,968,310	35,968,310	39,986,851	(4,018,541)
SLTC HCBS Waiver	46,810,744	52,730,081	50,939,963	44,173,010	6,766,953
Adult Mental Health and Chem Dep	53,058,316	53,428,432	49,154,795	46,094,027	3,060,768
HIFA Waiver	7,203,128	7,448,655	7,448,655	7,152,705	295,950
Children's Mental Health	94,665,328	104,665,770	100,307,237	97,037,602	3,269,635
School Based Services - 100% Fed	37,126,543	39,369,955	39,009,955	41,303,276	(2,293,321)
Indian Health Services - 100% Fed	72,201,659	82,373,231	82,373,231	83,963,120	(1,589,889)
Disability Services Waiver / Autism /	119,206,485	119,530,718	120,685,349	117,935,418	2,749,931
MDC & ICF Facilities - 100% Fed funds	7,472,962	12,429,293	12,429,293	7,201,171	5,228,122
Medicare Buy-In	40,728,383	37,638,739	39,808,653	43,309,354	(3,500,701)
Hospital Utilization Fees / DSH	52,546,163	68,925,403	68,525,618	44,705,496	23,820,122
Part-D Clawback	20,849,619	20,704,075	20,541,418	22,336,772	(1,795,354)
<b>Total</b>	<b>1,229,022,493</b>	<b>1,305,864,200</b>	<b>1,275,652,906</b>	<b>1,229,136,050</b>	<b>46,516,856</b>

\* 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.

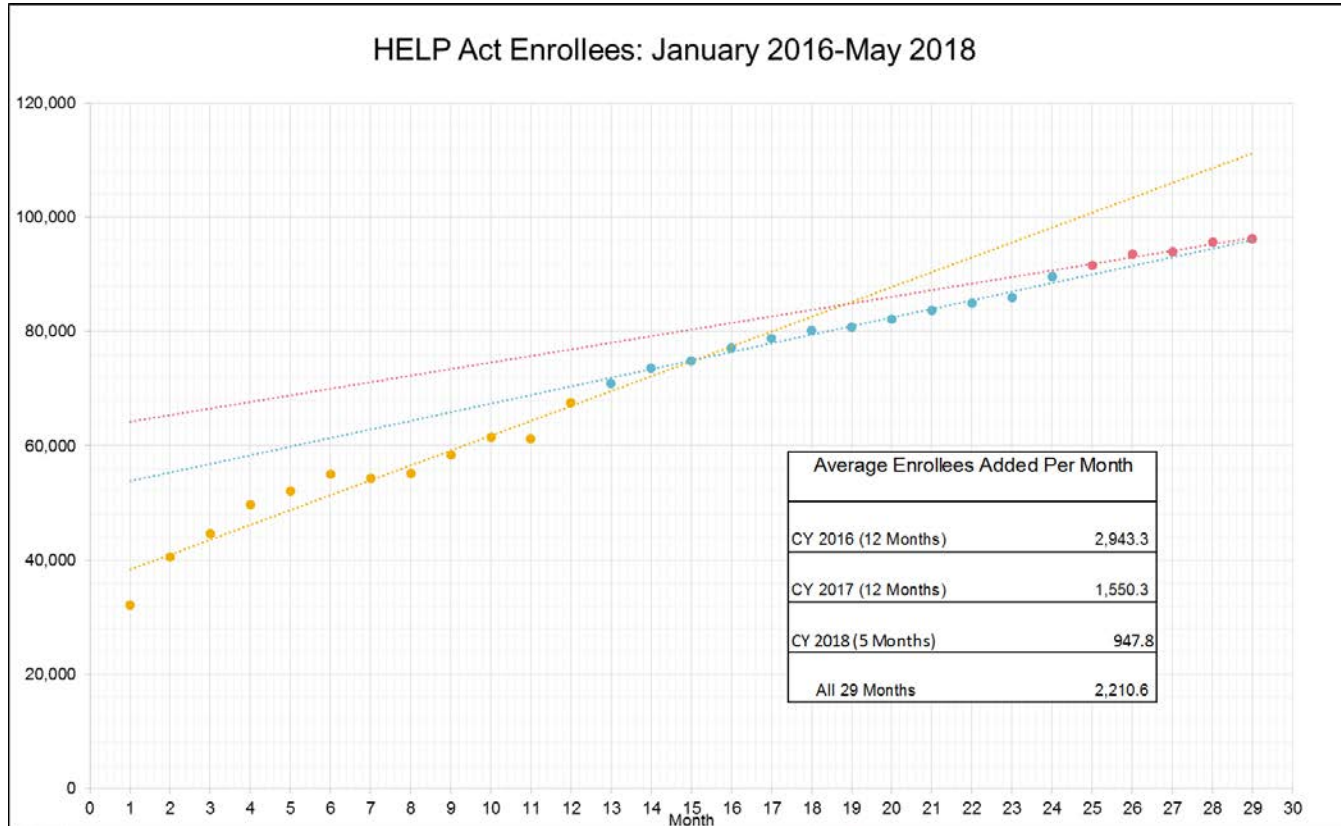
Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

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. A voter initiative (I-185) intended to extend Medicaid expansion and increase the tobacco tax has been submitted and approved by the Secretary of State. Medicaid expansion could be continued through either a voter initiative or legislative action by the 2019 Legislature.

## EXPANSION IMPLEMENTATION STATUS

### Current Enrollment

As of March 2018, nearly one in ten Montanans is enrolled in Medicaid expansion. As of May 2018, DPHHS was reporting a total of 96,302 individuals covered by the Medicaid expansion. The graph below shows HELP Act enrollment over the first 29 months.



This graph includes three trend lines, one for calendar year 2016, 2017, and 2018 (5 months). These trend lines illustrate the enrollment growth rate for the HELP Act has slowed each calendar year since the HELP act was implemented.

## MONTANA HELP ACT OVERSIGHT COMMITTEE

The HELP oversight committee met on March 8, 2018. An economic analysis of the HELP act was presented by Dr. Bryce Ward with the Bureau of Business and Economic Research (BBER) at the University of Montana. The study was commissioned by the Montana Health Care Foundation and the Headwater Community Foundation. A copy of the report is available here: [https://mthcf.org/wp-content/uploads/2018/04/BBER-MT-Medicaid-Expansion-Report\\_4.11.18.pdf](https://mthcf.org/wp-content/uploads/2018/04/BBER-MT-Medicaid-Expansion-Report_4.11.18.pdf).

## 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 the report period. Claims for which reimbursement has not occurred are not included. 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.

### Expenditures

Fiscal Year 2018 Montana HELP Act Expenditures			
July - May 2018			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$21,912,376	\$458,009,858	\$479,922,234
Senior & Long Term Care	345,761	6,968,602	7,314,363
Addictive & Mental Disorders	<u>1,981,827</u>	<u>35,454,949</u>	<u>37,436,776</u>
	24,239,964	500,433,409	524,673,373
Administration			
Personal Services	679,126	1,423,167	2,102,293
Operating Expenses	<u>6,000,195</u>	<u>5,932,662</u>	<u>11,932,857</u>
	6,679,321	7,355,829	14,035,150
<b>Total</b>	<b>\$30,919,286</b>	<b>\$507,789,238</b>	<b>\$538,708,524</b>

## 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 \$884,000 for FY 2018 in HB 2 to provide workforce activities included in the HELP Act. Through the end of May 2018, DLI has expended nearly \$776,000. This includes approximately \$280,000 in personal services, \$54,000 in operating expenses, and \$442,000 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 May 2, 2018, 11,940 HELP clients had completed the survey. According to the department, 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. As of the most recent update (May 2), 2,834 survey completers have become HELP-Link participants. Of those, 732 are still participants, meaning they receive DLI services every 90 days.

Medicaid Clients and DLI	
HELP -Link Survey Completers	11,940
DLI Clients	23,733
Workforce Disenrollment Exemption	4,735
HELP-Link Participatns	2,834
Source: MT DLI on 5/2/2018. 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.	

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.

Individualized employment plans may include completing other services, for example interview assessment, if the participant has deficiencies in a specific area. Participants may also receive assistance with access to non-employment services to address employment barriers. This can include referrals to non-profit or government agencies that can assist with daycare, credit issues, chemical dependency, etc. As of May 2, 413 participants have completed one-on-one HELP-Link training.

## I-185

A voter initiative has been approved for signatures by the Montana Secretary of State that would eliminate the sunset date of the HELP Act as passed in the 2015 Legislature. The initiative would increase tobacco taxes by \$2.00 per pack of cigarettes. It also raises the tax on moist snuff by up to 83%, and all other tobacco products, including e-cigarettes and vaping products would see a 33% increase. The increased revenue would be dedicated to health programs including Medicaid expansion, veterans' services, smoking prevention and cessation, and long-term care services for senior and disabled persons. The initiative caps the revenue dedicated to Medicaid expansion at \$26 million per year.

A legal review of I-185 was conducted by Legislative Services Division (LSD) and it was noted that the initiative would lead to the appropriation of continued funding for Medicaid Expansion. The Montana Constitution prohibits the enactment of appropriations by voters through ballot initiatives and the LSD legal review stated that no case law exists in regard to the extension of a statutory appropriation by initiative.

A copy of the ballot language for I-185 is available on the Montana Secretary of State's webpage: <http://sos.mt.gov/Portals/142/Elections/archives/2010s/2018/I-185.pdf?dt=1528306937871>.

## SUMMARY

The HELP Act continued a pattern of enrollment growth over the first part of FY 2018, though the growth rate has slowed significantly as compared to the first year of the program. Effective January 2018 DPHHS is now responsible for managing all Medicaid expansion enrollees.