

MEDICAID MONITORING REPORT AND MONTANA HELP ACT MEDICAID EXPANSION REPORT

A Report Prepared for the
Legislative Finance Committee

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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, Senior and Long-Term Care Division, Developmental Services Division, and Addictive and Mental Disorders Division. 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

The table on the following page illustrates the current status of the Medicaid appropriation from July-January of FY 2018. Actual expenditures are through February 28, 2018, while the estimated FY 2018 totals are DPHHS projections based on data through January 31, 2018. Projection totals are department numbers included in the Budget Status Report dated February 15, 2018.

DPHHS is currently projecting a deficit in general fund authority of \$8.4 million for total Medicaid benefits. The deficit in Medicaid general fund authority includes an offset of \$5.3 million in caseload contingency funding authorized in HB 2. Without the inclusion of contingency funding, the projected deficit in Health Resources Division (HRD) would be larger.

The majority of general fund projected deficits are in three divisions. The largest projected general fund deficits at HRD are hospital and clinical services (\$7.4 million), Medicare buy-in (\$2.8 million), and managed care (\$1.5 million). Disability Services is projecting general fund deficits in children's mental health services (\$1.9 million) and developmentally disabled waivers (\$3.3 million). Senior and Long Term Care is projecting general fund deficits in Community First Choice benefits (\$4.9 million) and nursing homes (\$1.8 million). These deficits are partially offset by other service categories currently projected to have a surplus.

Finally, HB 639 authorizes 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". DPHHS has a current projected general fund surplus of \$2.5 million for MDC that could potentially be used to offset part of the projected deficit in Medicaid general fund spending, even though it is listed as "restricted" in HB 2.

BUDGET CHANGES

The budget for all four Medicaid divisions was reduced as a result of the executive recommended 17-7-140 reductions that were adopted by the legislature in the special session. The total Medicaid FY 2018 general fund appropriation for benefits and claims, across all four divisions, was reduced by 2.9% while the total federal appropriation was reduced by 1.9%.

The state special revenue modification in HRD was an intergovernmental transfer of \$0.9 million from the university system to partially fund a primary care residency program known as the Graduate Medical Education program.

FY 2018 Medicaid Benefits & Claims Appropriations Compared to DPHHS Projected Expenditures							
Division/Fund	FY 2018 Legislative Appropriation ¹	Changes in Legislative Appropriation ²	FY 2018 Modified Appropriation	FY 2018 Current Expenditures	Estimated FY 2018 Expenditures ³	Estimated Expenditures (Over) Under Appropriation	Estimated Balance as a % of Modified Appropriation
10 Developmental Services Div.							
General Fund	\$65,657,138	(\$1,142,133)	\$64,515,005	\$43,527,938	\$68,727,888	(\$4,212,883)	-6.5%
State Special Revenue	6,032,582	(72,399)	5,960,183	122,237	6,032,582	(72,399)	-1.2%
Federal Funds	<u>190,987,302</u>	<u>(2,105,710)</u>	<u>188,881,592</u>	<u>102,598,004</u>	<u>177,217,664</u>	<u>11,663,928</u>	6.2%
Subtotal	262,677,022	(3,320,242)	259,356,780	146,248,178	251,978,134	7,378,646	2.8%
11 Health Resources Division							
General Fund	158,117,285	(5,163,844)	152,953,441	66,881,851	155,175,911	(2,222,470)	-1.5%
State Special Revenue	65,916,676	916,769	66,833,445	35,611,969	64,857,195	1,976,250	3.0%
Federal Funds	<u>473,925,389</u>	<u>(9,737,307)</u>	<u>464,188,082</u>	<u>204,337,958</u>	<u>465,441,853</u>	<u>(1,253,771)</u>	-0.3%
Subtotal	697,959,350	(13,984,382)	683,974,968	306,831,779	685,474,959	(1,499,991)	-0.2%
22 Senior and Long Term Care							
General Fund	61,821,049	(1,241,978)	60,579,071	39,651,332	62,518,727	(1,939,656)	-3.2%
State Special Revenue	29,760,526	0	29,760,526	9,098,517	29,470,258	290,268	1.0%
Federal Funds	<u>184,399,345</u>	<u>(2,651,966)</u>	<u>181,747,379</u>	<u>98,834,320</u>	<u>183,662,351</u>	<u>(1,914,972)</u>	-1.1%
Subtotal	275,980,920	(3,893,944)	272,086,976	147,584,169	275,651,336	(3,564,360)	-1.3%
33 Addictive and Mental Disorders							
General Fund	10,552,359	(985,755)	9,566,604	8,102,692	9,618,726	(52,122)	-0.5%
State Special Revenue	8,889,878	(29,272)	8,860,606	3,028,493	9,412,346	(551,740)	-6.2%
Federal Funds	<u>43,841,780</u>	<u>(1,904,808)</u>	<u>41,936,972</u>	<u>23,082,250</u>	<u>39,510,708</u>	<u>2,426,264</u>	5.8%
Subtotal	63,284,017	(2,919,835)	60,364,182	34,213,435	58,541,780	1,822,402	3.0%
Grand Total All Medicaid Services							
General Fund	296,147,831	(8,533,710)	287,614,121	158,163,814	296,041,252	(8,427,131)	-2.9%
State Special Revenue	110,599,662	815,098	111,414,760	47,861,216	109,772,381	1,642,379	1.5%
Federal Funds	893,153,816	(16,399,791)	876,754,025	428,852,532	865,832,576	10,921,449	1.2%
Grand Total All Funds	1,299,901,309	(24,118,403)	1,275,782,906	634,877,561	1,271,646,209	4,136,697	0.3%
1 As of October 31, 2017.							
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 February budget status report (BSR) which runs through January 31, 2018.							

MAJOR SERVICE CATEGORIES

The following table presents budgets and expenditures from all funds for major Medicaid service categories from July - January of FY 2018 (expenditure and appropriation data is through January 31; projections are through February 5). Data in this table is from the DPHHS budget status report dated February 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 Expenses	SF18 Initial Budget	FY18 Current Budget	FY18 Expenditure Estimates	FY18 Projected Balance
Inpatient Hospital	\$102,040,081	\$107,653,245	\$98,730,897	\$96,411,101	\$2,319,796
Outpatient Hospital	55,672,519	59,882,537	58,215,199	54,695,216	3,519,982
Critical Access Hospital	55,597,095	59,353,070	58,886,776	53,655,721	5,231,055
Physician & Psychiatrists	71,145,530	71,062,978	70,504,687	69,067,936	1,436,751
Drugs	109,489,225	119,710,644	115,781,035	112,996,010	2,785,026
Drug Rebates	(69,445,384)	(73,655,227)	(73,076,571)	(71,391,650)	(1,684,921)
Dental & Denturists	43,120,008	48,001,054	47,623,944	46,267,290	1,356,654
Other Practitioners	25,956,649	27,446,426	27,230,799	28,378,842	(1,148,043)
Other Hospital and Clinical Services	30,528,889	31,459,978	31,212,819	36,357,241	(5,144,422)
Other Managed Care Services	13,810,198	13,716,888	11,648,481	12,735,499	(1,087,019)
Durable Medical Equipment	16,510,103	16,605,317	16,474,861	15,954,315	520,546
Other Acute Services	4,517,287	4,186,948	4,154,055	7,335,708	(3,181,654)
Nursing Homes & Swing Beds	151,168,944	159,230,413	157,706,180	164,458,611	(6,752,431)
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	9,852,520	(1,457,299)
Personal Care	44,001,523	35,854,025	35,854,025	42,272,063	(6,418,038)
SLTC HCBS Waiver	46,810,744	52,730,081	51,054,248	45,044,900	6,009,348
Adult Mental Health and Chem Dep	53,058,316	53,428,432	49,154,795	47,532,154	1,622,641
HIFA Waiver	7,203,128	7,448,655	7,448,655	7,155,173	293,482
Children's Mental Health	94,665,328	104,665,770	100,307,237	97,273,970	3,033,267
School Based Services - 100% Fed funds	37,126,543	39,369,955	39,369,955	40,135,800	(765,845)
Indian Health Services - 100% Fed funds	72,201,659	82,373,231	82,373,231	85,326,332	(2,953,101)
Disability Services Waiver / Autism / Targeted Case Mg	119,206,485	119,530,718	118,185,349	118,887,283	(701,934)
MDC & ICF Facilities - 100% Fed funds	7,472,962	12,429,293	12,429,293	6,853,382	5,575,911
Medicare Buy-In	40,728,383	37,638,739	39,363,653	42,622,680	(3,259,027)
Hospital Utilization Fees / DSH	52,546,163	68,925,403	68,610,618	66,755,614	1,855,004
Part-D Clawback	20,849,619	20,704,075	20,541,418	22,283,557	(1,742,139)
Total	\$1,229,022,493	\$1,305,749,915	\$1,275,782,906	\$1,271,646,209	\$4,136,697

* Numbers in this 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 this Act will significantly impact the budget of the State of Montana. Currently, benefits and claims for the expansion population are covered 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.

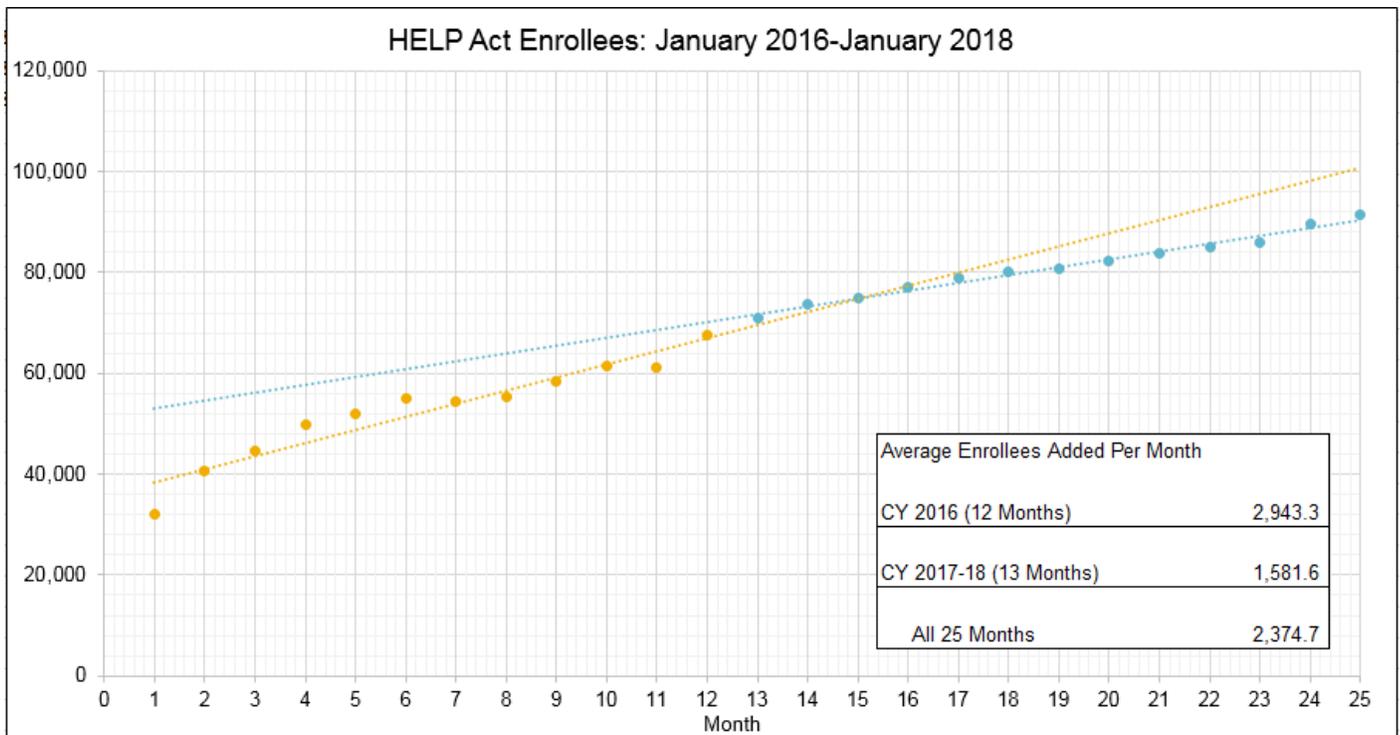
Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

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 intended to extend Medicaid expansion and increase the tobacco tax has been submitted to the Secretary of State, and is under review at this time. It is possible that Medicaid expansion could be continued through either a voter initiative of this type, or through legislative action by the 2019 Legislature.

EXPANSION IMPLEMENTATION STATUS

Current Enrollment

As of January 15, 2018, DPHHS was reporting a total of 91,563 individuals covered by the Medicaid expansion. The graph below shows HELP Act enrollment over the first 25 months.



This graph includes two trend lines, one for calendar year 2016 (12 months of the HELP Act) and another for calendar year 2017-18 (13 months). These trend lines illustrate the enrollment growth rate for the HELP Act has slowed over calendar year 2017 as compared to calendar year 2016.

Third Party Administrator

Blue Cross and Blue Shield of Montana (BCBS) was the authorized TPA for Medicaid expansion in Montana. As a part of the SB 261 triggered reductions, the TPA contract was not renewed after the existing contract expired at the end of 2017. DPHHS is now responsible for administering Medicaid expansion for all participants.

MONTANA HELP ACT OVERSIGHT COMMITTEE

A March 8, 2018, committee meeting had not yet occurred when this report was written.

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.

Expenditures

Fiscal Year 2018 Montana HELP Act Expenditures			
July - February 2018			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$11,345,799	\$230,153,232	\$241,499,031
Senior & Long Term Care	192,424	4,341,956	4,534,380
Addictive & Mental Disorders	<u>1,213,608</u>	<u>24,070,037</u>	<u>25,283,645</u>
	12,751,831	258,565,225	271,317,057
Administration			
Personal Services	425,492	935,527	1,361,018
Operating Expenses	<u>3,307,346</u>	<u>3,849,346</u>	<u>7,156,693</u>
	3,732,838	4,784,873	8,517,711
Total	\$16,484,670	\$263,350,098	\$279,834,768

OTHER INTERACTIONS

Department of Labor and Industry (DLI) HELP-Link

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 February 2018, DLI has expended nearly \$541,000. This includes approximately \$207,000 in personal services, \$40,000 in operating expenses, and \$294,000 in grants.

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. A voter initiative has been submitted that would eliminate the sunset date of the HELP Act as passed in the 2015 Legislature.