



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: June 4, 2012

TO: Legislative Finance Committee

FROM: Lois Steinbeck, Senior Fiscal Analyst  
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RE: Update – SJ26 Impact of Medicaid Eligibility Expansion and Healthy Montana Kids Monitoring

The Legislative Finance Committee (LFC) decided to review Medicaid and Healthy Montana Kids (HMK) enrollment at each meeting as part of recommendations included in Senate Joint Resolution 26 (SJ 26). This work item also includes LFC consideration of issues related to and estimated costs of the Medicaid expansion under the Patient Protection and Affordable Care Act of 2010 (ACA). This memorandum provides updates on both components of this SJ 26 work item.

### RECENT ENROLLMENT TRENDS

Several graphs attached to this memo show the most recent enrollment in Medicaid and HMK. Medicaid enrollment has declined slightly from its most recent peak of 105,237 in September 2011 to 105,040 in March 2012. However, the most recent enrollment is about 1,000 persons higher than reported at the last LFC meeting. Enrollment in HMK continues to rise, totaling 90,300 children. A number of HMK enrollees – about 69,000 - are also counted in the Medicaid enrollment.

### Medicaid

Family Medicaid (low-income parents and children) reached a high of about 20,700 persons in February 2011 to 18,092 most recently (compared to 17,723 at the March LFC meeting). There has been an increase of 100 enrollees over 65, rising from 6,913 at the beginning of FY 2012 to 7,013 persons in March. The number of Medicaid enrollees in the category aged and disabled in an institutional setting reached a high of 3,421 in March 2011 then declined slightly, with enrollment a year later standing at 3,401 or 12 persons higher than the last LFC meeting. The number of disabled individuals enrolled in Medicaid stands at 19,431 the highest level over the most recent 24 months reported.

### Healthy Montana Kids

The final attachment shows HMK enrollment since passage of the initiative that created the program. About 70% of HMK enrollment is children in families with the lowest incomes (below 100% of the federal poverty level - FPL), while about 23% is in higher income families (between

134% to 250% FPL). The remaining enrollment is children in families with incomes between 101% and 133% FPL.

The table shows the 2011 session estimate for the annual HMK enrollment by group compared to average enrollment year to date (February 2012)<sup>1</sup>. Overall year-to-date average enrollment is about 9% lower than the session estimate.

FY 2012 Year-to-Date Average Enrollment in Healthy Montana Kids Through March 2012 Compared to 2011 Session Estimate				
Session Estimate/ Year-to-Date Average Enrollment/ Difference	HMK Plus*	Plus Expansion	HMK CHIP***	Total
Session Estimate	67,147	10,612	20,618	98,377
Year to Date Annual Average	<u>62,910</u>	<u>6,120</u>	<u>20,295</u>	<u>89,325</u>
Over (Under) Session Estimate	<u>(4,237)</u>	<u>(4,491)</u>	<u>(323)</u>	<u>(9,052)</u>
% Over or Under (-) Session Est.	-6.3%	-42.3%	-1.6%	-9.2%
*HMK Plus - children in families with incomes below 100% of the federal poverty level.				
**HMK Plus Expansion - children in families with incomes from 101% - 133% of the federal poverty level.				
***HMK CHIP - children in families with incomes from 134% - 250% of the federal poverty level.				

Year - to - date average enrollment for the CHIP component of HMK is the closest to estimates adopted during the session and may continue rise through the remainder of FY 2012 to exceed the estimate.

## MEDICAID ELIGIBILITY EXPANSION

ACA adds a new category of Medicaid eligibility for persons who are not pregnant, not disabled, or under the age of 65. It raises financial eligibility to 138%<sup>2</sup> of the federal poverty level, eliminates consideration of assets for Medicaid eligibility, and requires Medicaid eligibility determination to be included in health insurance exchange functions. The eligibility expansion will be effective January 1, 2014 – the last half of the second fiscal year of the 2015 biennium.

### Status of ACA

There are constitutional challenges to several components of ACA before the U.S. Supreme Court, which heard oral arguments March 26 – 27. A decision is expected sometime in June 2012. One of the specific challenges to ACA is the required expansion of Medicaid.

### Cost Estimates of the Medicaid Expansion

The cost of the Medicaid expansion depends on several components:

- o Number of enrollees
- o New enrollees who would have been eligible prior to the expansion in eligibility
- o The services provided

<sup>1</sup> The reporting format for HMK enrollment has changed slightly from the March 2012 report. The presumptive category of eligibility is shown separately in the March report, but allocated among the three major enrollment categories in this report. This change more accurately reflects the likelihood that a child presumed to be eligible for 60 days will be determined to be eligible for HMK and remain in the program longer than the initial 60 day period.

<sup>2</sup> Financial eligibility is established at 133% of the federal poverty level with a 5% income disregard, which together create an effective financial eligibility threshold of 138%.

## ***Number of Enrollees***

There have been several estimates of the number of new Medicaid enrollees under ACA. Estimates for Montana range from a low of 39,978<sup>3</sup> to a high of 84,088<sup>4</sup> by FY 2019. Most estimates have been based on interpolation of census data since the income ranges reported in the census are not tied directly to the new Medicaid eligibility standard of 138% of the federal poverty level and assumptions about the number of uninsured individuals by income group.

Most estimates were done nearly two years ago after ACA initially passed. Since early 2010, there have been significant enrollment increases in Montana Medicaid due to full implementation of Healthy Montana Kids, which raised Medicaid eligibility for children with family incomes from 100% of the federal poverty level to 133%, and there have been some increases in the number of low-income parents due to the Great Recession.

The Bureau of Business and Economic Research with the University of Montana is conducting a population study that will evaluate Montana population by insurance status and further differentiated by income, age, employment and health status. One of the outcomes will be to estimate the number of people eligible for Medicaid and HMK under the ACA expansion.

## ***State Share of Cost for New Medicaid Enrollees***

The state share of Medicaid costs for the expansion population depends on whether a person would have been eligible for Medicaid prior to ACA eligibility changes, but not enrolled in Medicaid, compared to those who enroll and are eligible because of the ACA expansion. Services for enrollees who are eligible because of the ACA expansion are funded 100% from federal funds for the first three years of the expansion, with states required to pick up 5% of the cost for the newly eligible in 2017, gradually rising to 10% in 2020 and beyond. However, the state must pay a share of the services costs for enrollees who would have been eligible for Medicaid under the state's original eligibility criteria. The state share of the cost will be the regular state Medicaid match rate – projected to be about 34% for Montana in the 2015 biennium.

The Center for Medicare and Medicaid Services (CMS) issued a prohibition on running dual Medicaid eligibility systems to determine whether a new enrollee would have been eligible under the state eligibility criteria. CMS contracted with the State Health Access Data Assistance Center (SHADAC) to develop a method to estimate the number of new enrollees that would have been eligible under a state's Medicaid eligibility criteria prior to the ACA expansion. The simulation model or algorithm that is developed will be used to estimate the number of those enrollees. A final algorithm is expected in September or October of 2012.

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<sup>3</sup> John Holahan and Irene Heden, Urban Institute, "Medicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL", Kaiser Commission on Medicaid and the Uninsured, May 2010.

<sup>4</sup> Department of Public Health and Human Services, "Montana and Major Components of Federal Healthcare Reform", April 19, 2010.

## *Services Provided*

The service package that must be provided to the expansion population is another important component of the total cost of the Medicaid expansion. New adult enrollees may be offered fewer services than current Medicaid enrollees, but mental health and substance abuse treatment services must be included. At this time, it is not clear what service package DPHHS will propose for new enrollees.

## **NEXT STEPS**

LFD staff will continue to monitor enrollment in Medicaid and HMK as well as the impact of the U.S. Supreme Court decision and final disposition of federal requirements for the Medicaid expansion. LFD staff will prepare an estimate of the cost of the ACA expansion for review at a future LFD meeting.