

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 surplus in general fund authority of \$9.6 million for Medicaid benefits after a HB 3 reduction of \$13.5 million. The department is also showing a surplus in state special funds of \$2.4 million. Statute requires agencies to spend state special funds before general fund.

The table on the following page illustrates the status of the Medicaid appropriation from November - March of FY 2019. Estimated FY 2019 totals are DPHHS projections based on data through March 31, 2019. Projection totals are department numbers included in the DPHHS Budget Status Report dated April 15, 2019.

The largest contributing factors to the projected general fund surplus are at SLTC, where \$6.8 million is projected as surplus, and at AMDD where \$2.0 million is projected as surplus. SLTC programs projecting the largest surplus/(deficit) include: home based services, \$1.0 million, nursing home, \$4.4 million, money follows the person, \$2.4 million, Big Sky waiver, \$3.2 million, and community first choice (\$3.7 million).

AMDD has one general fund program, adult mental health, projecting a surplus of \$2.0 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	\$69,440,872	\$992,575	1.4%
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>178,777,317</u>	<u>15,590,181</u>	8.0%
Subtotal	273,478,149	0	273,478,149	254,105,973	19,372,176	7.1%
<u>11 Health Resources Division</u>						
General Fund	150,420,191 ³	0	150,420,191	150,541,411	(121,220)	-0.1%
State Special Revenue	66,831,445	134,432	66,965,877	67,985,903	(1,020,026)	-1.5%
Federal Funds	<u>494,359,302</u>	<u>0</u>	<u>494,359,302</u>	<u>425,434,886</u>	<u>68,924,416</u>	13.9%
Subtotal	561,190,747	134,432	711,745,370	643,962,200	67,783,170	12.1%
<u>22 Senior and Long Term Care</u>						
General Fund	65,032,228	0	65,032,228	58,270,702	6,761,526	10.4%
State Special Revenue	36,091,646	0	36,091,646	34,930,016	1,161,630	3.2%
Federal Funds	<u>196,955,249</u>	<u>0</u>	<u>196,955,249</u>	<u>186,664,121</u>	<u>10,291,128</u>	5.2%
Subtotal	298,079,123	0	298,079,123	279,864,839	18,214,284	6.1%
<u>33 Addictive and Mental Disorders</u>						
General Fund	11,092,758	0	11,092,758	9,097,843	1,994,915	18.0%
State Special Revenue	8,793,317	0	8,793,317	9,274,954	(481,637)	-5.5%
Federal Funds	<u>41,014,471</u>	<u>0</u>	<u>41,014,471</u>	<u>38,071,093</u>	<u>2,943,378</u>	7.2%
Subtotal	\$60,900,546	\$0	\$60,900,546	\$56,443,890	\$4,456,656	7.3%
<u>Grand Total All Medicaid Services</u>						
General Fund	296,978,624	0	296,978,624	287,350,828	9,627,796	3.2%
State Special Revenue	120,393,612	134,432	120,528,044	118,078,657	2,449,387	2.0%
Federal Funds	<u>926,696,520</u>	<u>0</u>	<u>926,696,520</u>	<u>828,947,417</u>	<u>97,749,103</u>	10.5%
Grand Total All Funds	\$1,344,068,756	\$134,432	\$1,344,203,188	\$1,234,376,902	\$109,826,286	8.2%

¹ Estimated expenditures are based on the DPHHS April 15, 2019 budget status report.

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 The general fund appropriation at Health Resources Division (HRD) was reduced by \$13.5 million in HB 3, passed during the 2019 legislative session, and this reduction has been applied in the table above.

BUDGET CHANGES

The Medicaid benefits and claims budget increased by \$134,432 through executive modifications between November 2018 and the end of March 2019. The increase was the result of state special revenue being added at HRD through a house adjustment (moving appropriations across multiple programs within the same division) resulting in an increase to the Medicaid budget.

MAJOR SERVICE CATEGORIES

The following table presents budgets and expenditures from all funds for major Medicaid service categories from July - March of FY 2019 (expenditure and appropriation data are through March 31, 2019; projections are through April 5, 2019). Data in this table is from the DPHHS budget status report dated April 15, 2019. 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	\$104,596,656	\$104,596,656	\$93,007,879	\$11,588,778
Outpatient Hospital	51,088,373	59,392,218	59,392,218	52,811,862	6,580,356
Critical Access Hospital	50,413,213	58,607,318	58,607,318	52,113,925	6,493,393
Physician & Psychiatrists	64,694,323	75,209,663	75,209,663	66,876,815	8,332,848
Drugs	109,518,049	127,318,985	127,318,985	113,212,689	14,106,296
Drug Rebates	(88,640,513)	(82,628,542)	(82,628,542)	(73,277,611)	(9,350,931)
Dental & Denturists	45,322,015	52,688,602	52,688,602	46,850,973	5,837,629
Other Practitioners	28,075,124	32,638,422	32,638,422	29,022,251	3,616,171
Other Hospital and Clinical Services	32,810,690	38,143,701	38,143,701	33,917,573	4,226,128
Other Managed Care Services	12,612,789	14,662,857	14,662,857	13,038,287	1,624,570
Durable Medical Equipment	15,853,586	18,430,410	18,430,410	16,388,414	2,041,996
Other Acute Services	7,146,191	8,307,725	8,307,725	7,387,271	920,454
Nursing Homes & Swing Beds	152,950,280	179,881,041	179,881,041	168,964,689	10,916,372
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	6,141,727	6,141,727	15,018,981	(8,877,254)
Personal Care	39,898,874	38,190,601	38,190,601	38,770,451	(579,850)
SLTC HCBS Waiver	43,491,172	54,790,631	54,790,631	44,304,012	10,486,619
Adult Mental Health and Chem Dep	44,257,178	49,509,576	49,509,576	45,613,851	3,895,725
HIFA Waiver	7,149,683	7,449,801	7,449,801	7,594,364	(144,563)
Children's Mental Health	94,247,378	101,351,126	101,351,126	89,272,800	12,078,326
School Based Services - 100% Fed funds	41,560,617	39,966,770	39,966,770	35,599,896	4,366,874
Indian Health Services - 100% Fed funds	74,823,244	94,556,232	94,556,232	75,265,984	19,290,248
Disability Services Waiver / Autism / Targeted Case Mgt	118,894,728	131,745,253	131,745,253	129,098,757	2,646,496
MDC & ICF Facilities - 100% Fed funds	7,675,182	5,905,220	5,905,220	4,921,300	983,920
Medicare Buy-In	43,122,324	42,012,188	42,012,188	45,296,185	(3,283,997)
Hospital Utilization Fees / DSH	37,626,683	55,341,571	55,341,571	48,959,392	6,382,179
Part-D Clawback	22,336,772	25,967,365	25,967,365	23,090,313	2,877,052
HB 3 Supplemental Reduction			(13,500,000)		(13,500,000)
Total	\$ 1,167,830,781	\$ 1,357,703,188	\$ 1,344,203,188	\$ 1,234,376,902	\$ 109,826,286

*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 93% 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%

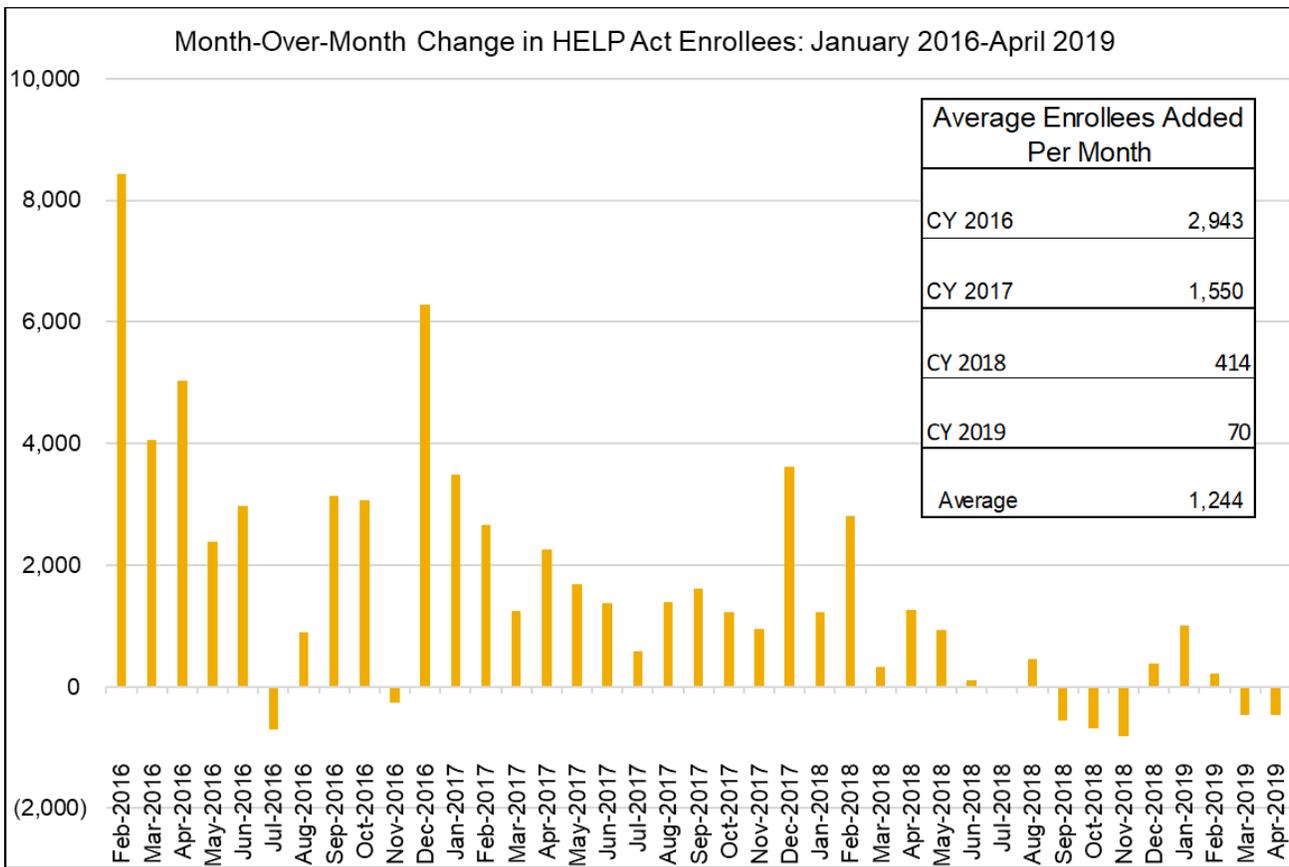
The 2019 legislature passed HB 658 which will extend Medicaid expansion in Montana. The new law will become effective July 1, 2019 and has a termination date of June 30, 2025. HB 658 includes several changes to expansion including: establishing community engagement requirements, revising eligibility verification procedures, establishing an employer grant program, and enacting fees on health service corporations and on hospital outpatient revenue, in addition to others.

EXPANSION STATUS

Current Enrollment

As of April 2019, DPHHS was reporting 95,246 enrollees in Medicaid expansion. Enrollment in Medicaid expansion is starting to show signs of sustained leveling during FY 2019. In fact, enrollment in Medicaid expansion has seen an average reduction of 99 enrollees per month during the first 10 months of FY 2019. Enrollment decreased during six of the 10 months between July 2018 and April of 2019.

The month of December has historically seen the largest increase in enrollment as this coincides with the open enrollment period for Affordable Care Act health plans which occurs during November and December. December enrollment in Montana's Medicaid expansion was 6,282 in 2016, 3,609 in 2017, and just 373 in December 2018. The graph below shows monthly HELP Act enrollment changes since enrollment began in January 2016.



MONTANA HELP ACT OVERSIGHT COMMITTEE

HB 658 terminated the HELP Act Oversight Committee upon passage of the bill. Information required by the HELP act to be reported to the oversight committee, such as the workforce development participation report, will be submitted to the legislative finance and children, families, health, and human services interim committees.

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 2019. 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 for HELP claims and benefits have not been matched with general funds. Indian Health Services (IHS) benefits and claims receive 100% federal fund reimbursement. As of April 2019, just over 6.0% of federal expansion benefits, totaling \$27.8 million, are expenditures for IHS eligible enrollees. In addition, almost 28.1% of total federal HELP benefits and claims, totaling \$129.0 million, has been expended for 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.

FY 2019 HELP Expenditures

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

Fiscal Year 2019 Montana HELP Act Expenditures			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$17,288,134	\$423,133,163	\$440,421,297
Senior & Long Term Care	414,678	7,231,149	7,645,827
Addictive & Mental Disorders	<u>1,773,409</u>	<u>29,318,376</u>	<u>31,091,785</u>
	19,476,222	459,682,687	479,158,909
Administration			
Personal Services	474,356	773,944	1,248,299
Operating Expenses	<u>3,508,294</u>	<u>3,677,822</u>	<u>7,186,116</u>
	3,982,650	4,451,766	8,434,415
Total	\$23,458,871	\$464,134,453	\$487,593,324

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 April 2019, DLI had expended \$672,770. This includes approximately \$246,914 in personal services, \$44,442 in operating expenses, and \$381,414 in grants.