

SB 405 MEDICAID EXPANSION UPDATE

A Report Prepared for the
Legislative Finance Committee

By
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INTRODUCTION

The HELP Act (SB 405) of the 2015 Montana Legislature expands Medicaid in Montana, as allowed by the Patient Protection and Affordable Care Act (PPACA or ACA). Specifically, this will provide Medicaid coverage for adults ages 19-64, with incomes less than 138% of the federal poverty rate for Montana (approximately \$16,000 per year for an individual or \$28,000 per year for a family of three, per the DPHHS website). The implementation of this Act will significantly impact the budget of the State of Montana. Currently, the expansion population will be covered 100% by federal funds, with a phased-in reduction beginning in 2017 to an eventual final federal matching rate of 90% in 2020 and beyond. The purpose of this report is to provide an up-to-date synopsis of the Medicaid expansion, any financial implications, and a summary of the actions and information associated with the oversight committee established in SB 405.

EXPANSION IMPLEMENTATION STATUS

Third Party Administrator (TPA)

The Department of Health and Human Services (DPHHS) has put out a Request for Proposal (RFP) for a TPA, as required by SB 405. Four (4) responses were received by the deadline. The department has expressed a desire to have a TPA identified and under contract by October 1, 2015.

Center for Medicare & Medicaid Services (CMS) Waiver

In order to implement the Medicaid expansion as defined in SB 405, a waiver is required from CMS allowing the state to vary from the federally defined system. (The majority of SB 405 is effective only upon receipt of the waiver.) DPHHS has drafted the application and made it available for public comment, with specific public comment meetings held August 18 & 20 of this year. State law requires that the public have 60 days to comment prior to submission, and then federal guidelines require a 30 day comment period. (The state public comment period officially began July 7, 2015) The waiver request was submitted to CMS September 15, 2015.

OVERSIGHT COMMITTEE

Membership:

Chair: John Goodnow, Great Falls, CEO Benefis Health System
Vice-Chair: Rep. Pat Noonan, Ramsay
Senator Mary Caferro, Helena
Senator Bob Keenan, Bigfork
Rep. Art Wittich, Bozeman
Jesse Laslovich, Helena, Chief Legal Counsel for the State Auditor's Office
Dr. David Mark, Hardin, CEO & Staff Physician, Bighorn Valley Health Center
Cherie Taylor, Cut Bank, CEO Northern Rockies Medical Center
Tara Veazey, Helena, Governor's Health and Families Policy Advisor

Ex-officio, non-voting members:

Senator Edward Buttrey, Great Falls
Mary Dalton, Helena, DPHHS Medicaid Director
Pam Bucy, Helena, Commissioner DLI
Kevin Howlett, Arlee, Tribal Health & Human Services Director,
Confederated Salish and Kootenai Tribes
Heather O'Loughlin, Helena, Co-Director Montana Budget and Policy Center
Barbara Schneeman, Vice President, Communication & Public Affairs for RiverStone Health
TBD, Designee of the third party administrator

An oversight committee is established to provide reports and make recommendations to the legislature. Among other duties, this committee is charged with recommending future funding options to future legislatures. A final report is to be submitted to the LFC no later than August 15 of even-numbered years. The first meeting of this committee was held August 17, 2015.

FINANCIAL UPDATE

SB 418 Requirement

In regards to the Montana HELP Act, SB 418 states: "The legislative finance committee shall review the assumptions used in the office of budget and program planning's calculations for reductions and the specific cost offsets identified by the office."

Projected General Fund Savings

Until waiver approval is received, and SB 405 is fully in effect, there is no statutory appropriation authority. Therefore appropriations have not been established in the DPHHS budget and no corresponding expenses have been recorded. Actual expenses, savings, and refinancing of general fund expenses to federal funds will be closely monitored in the interim, and this data will be reflected in future reports to the LFC.

During the 2015 legislative session, it was anticipated that general fund savings might be achieved in numerous areas, including:

- Re-financing under the HIFA waiver moves general fund expenses to federal funds.
- Medically Needy eligible under the expansion saves general fund expenses.
- Persons in state institutions receiving medical care at Medicaid rates and/or through federal funding where eligible.
- Premiums collected.
- Montana Chemical Dependency Center refinancing of current general fund expenditures utilizing federal funds.

Additional expected expenditures offsetting some of these savings may include:

- New DPHHS Administration.
- Third Party Administrator.
- IT System integration.
- Welcome Mat Benefits and Administration (individuals currently eligible who sign up as a result of this expansion).
- Premium collection operations.
- Beginning in federal fiscal year 2017 (October 1, 2016), a reduction in the Federal Matching Percentage (FMAP).

Contained in SB 418 is language that requires the savings from Medicaid expansion be calculated by OBPP, with these savings then transferred to a separate subclass and designated as frozen, such that the savings cannot be spent. However, SB 418 predetermines the savings amount for FY 2016, and gives the budget director the option of using those funds if needed to avoid a supplemental request.

FY 2016 Savings¹:

The savings for FY 2016 will be the pro rata share of: \$11,763,918 general fund. (Example: If the waiver is approved and implementation is achieved January 1, 2016; the "calculated" savings for FY 2016 will be \$5,881,959)

¹ *No savings have been generated yet, as the CMS Waiver has not yet been approved, and the HELP Act is only effective upon approval of the waiver by CMS.

FY 2017 Savings

Criteria and methodology is unknown at this point in time. The fiscal note for SB 405 indicated an expected savings in FY 2017 of \$2.1 million general fund.

HB2 Adjustments

A general fund reduction of \$10.8 million was included in HB 2 for FY 17 which is to be allocated among divisions when establishing the 2017 biennium operating plan. This reduction was included to reflect some part of the expected savings resulting from the HELP Act.

INFORMATION TECHNOLOGY

In order to implement an expansion of this nature, a variety of IT changes will likely be necessary. These vary from redefining the eligible population in the eligibility system (CHIMES) to much wider interoperability of systems issues. Within the fiscal note issued for SB 405 was a \$1.9 million item for "HELP System Integration Costs," which is assumed to be an eligible expense under the statutory appropriation authority provided in SB 405. It is assumed this will be a qualifying Medicaid IT expense receiving a 90/10 federal match.

OTHER DEPARTMENT INTERACTIONS

Department of Labor and Industry (DLI)

DLI was appropriated authority in HB 2 for \$1.8 million in state special revenue (Economic Security Account) for the purpose of a workforce development program for those individuals receiving assistance under the HELP Act. DLI also received 13 FTE. Coordinating language in SB 418 eliminates the appropriation of general fund that was included in SB 405 as passed. However, there is also language in the HELP Act directing DPHHS to utilize TANF reserve funds to offset the costs of developing this workforce development program, for those individuals eligible for TANF assistance.

A coordinator has been hired for this program, and the workforce development aspect of this act is being referred to as HELP-Link. DLI is also required to make a report to the oversight committee established in the HELP Act.

Department of Corrections

It is anticipated that a significant percentage of inmates in the Montana correctional system will be eligible for Medicaid under this expansion. The fiscal note anticipates a slight overall increase in medical costs as inmates are transitioned to Medicaid, but also anticipates savings to state expenditures of \$2.6 million in FY 2017.

The HELP Act also requires that services provided for individuals in the care of institutions within both DPHHS and Corrections be reimbursed at approved Medicaid rates. Part of the future scope of this quarterly report to the Legislative Finance Committee will include additional information regarding the assumptions, implementation, fiscal impacts, and consequences of this requirement.

Department of Revenue (DOR)

DOR receives a biennial appropriation of \$0.4 million which will be considered base funding in the subsequent biennium. DOR will be responsible for collecting premiums and the "taxpayer integrity fee" and coordinating the collection of information necessary to calculate this fee with DPHHS. To date nothing has been collected.

SUMMARY

The HELP Act will significantly impact overall Medicaid expenditures, which, in FY 2015, were approximately 20% of the total expenditures for the State of Montana.

While the exact timeline of HELP Act implementation will vary and is heavily dependent upon CMS approval of the waivers, the department hopes to have initial approval November 1 of this year, in order to facilitate actual implementation and roll-out of coverage January 1, 2016.

The attached breakdown of SB 405 provides a more specific reference to sections of the HELP Act, and the relevant implications.

A REVIEW OF SB 405

MONTANA HELP ACT

Section No.	Catchline	Summary
4	(1) Eligibility	Expands the eligibility to individuals not previously eligible. Specifically those under 138% (133% with 5% income allowance) of the federal poverty line.*
	(2) Statutory Appropriation	Funding is statutorily appropriated from the general fund. There is no specific amount referenced (as would be expected with an entitlement program that cannot limit expenses based on a pre-set budget), although estimates were developed for the Fiscal Note and the LFD prepared an overview of the Fiscal Impact stating an <i>increase of \$453.9 million total funds, including \$27.0 million general fund.</i> (With offsets, the general fund impact was published as \$11,525,113)
	(4) FMAP	This references the FMAP (federal matching rate) under ACA, which is 100% in 2015-2016, 95% in 2017, 94% in 2018, 93% in 2019, and 90% in 2020 and beyond.
5	(1-4) TPA	A Third Party Administrator (TPA) will be used, but the department will establish the basic services to be provided through the TPA (An RFP has gone out, with four responses received by August 18, 2015)
	(5-6) Waivers	Directs the department to apply for a waiver from CMS to implement the act. (Most sections of this act are only effective upon actual receipt of said waiver(s).) (Public Notice has been made, with intent to apply for said waivers September 15, 2015)
6	(1-2) Copayments	Directs the department to charge copayments to maximum amount allowed under federal guidelines.
	(3)	Disallows copayments for certain services.
7	(1-7) Premiums, collection, nonpayment ramifications and exemptions	This section directs the department to charge an annual premium of 2% of participant income. Additionally, there are different benchmarks and exemptions that change the consequences of said nonpayment. Spells out various exemptions and consequences, including voluntary disenrollment for non-payment. <i>*Premium payments will be deposited into the general fund.</i>
8	(1-3) Medicaid program reforms	Directs the department to seek ways to reduce costs while simultaneously improving medical outcomes. Suggests varied approaches, but gives the department flexibility in doing so.
9	(1-2) Payment Schedules	Provides for reimbursement to providers at Medicaid rates, specifically for individuals in the custody of the department of corrections; and residents of Montana mental health facilities.
10	FMAP Reduction	If the FMAP changes from the previously approved federal schedule, this program is contingent upon further legislative appropriation or the department's ability to increase premiums as an offset.
11	Oversight Committee	Provides for a seven-member committee to provide oversight and receive reports and updates, including four members of the legislature. (Sen Caferro, Sen Keenan, Rep Noonan, & Rep Wittich have been appointed)
12	Reports	Provides direction for the oversight committee in the type of information they must review, including total costs of services and administration, copayments, etc. <i>* (4)(j) includes a responsibility to recommend future funding options to future</i>

		legislatures
	(5)	A summary of findings shall be presented to the Governor and the LFC no later than August 15 of each even-numbered year.
13	Rulemaking Authority	Gives departments authority to adopt rules to carry out the act.
14-17 Workforce Development		
16	(1) Workforce Development	Provides for the coordination between departments to provide optional employment assessment training and development opportunities for individuals qualifying for Medicaid under the HELP act.
	(4)	Directs DPHHS to utilize TANF reserve funds to offset the cost of this workforce development program.
17	Rulemaking	Gives department authority to adopt rules to carry out the act.
18	Taxpayer Integrity Fee	Provides for an asset test, requiring a monthly fee for those with more than \$50,000 cash and cash equivalents, a light vehicle, and a primary residence exceeding the homestead exemption established in 70-32-104 (\$250,000) Provides for a fee of \$100 per month plus \$4 per month for each \$1,000 in assets above \$50,000 cash and cash equivalents.
	(4)	Fees collected will be deposited in the general fund.
	(5)	Allows for future collection of these fees against tax returns or through civil action.
20	Statutory Appropriation	Amends the statutory amendment section of the MCA to include this act.
21	Malpractice amendments	Amends the medical malpractice laws to include additional specific categories of practicing medical personnel.
22	Appropriations	Makes general fund appropriations outside of HB 2, and establishes that these appropriations are to be considered part of the base funding for preparation of the 2019 biennium budget. <i>*Coordination instruction in SB 418 eliminates the appropriation to the department of labor and industry, as it was appropriated in HB 2. The result is that this effort is funded from the employment security account instead of the general fund.</i>
23	Transition	Allows for certain activities to begin immediately upon approval of the waiver, in order to aid in the implementation of this act.
27	Effective Date	Except to allow for activities in preparing the waiver, establishing the oversight committee, and the medical liability changes; this act is only effective upon approval of the waiver by CMS.
28	Termination	This act has a sunset date of June 30, 2019.