

# THE MONTANA HELP ACT, MEDICAID EXPANSION UPDATE

A Report Prepared for the  
Legislative Finance Committee

By  
**Quinn Holzer, Fiscal Analyst**

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## **INTRODUCTION**

The Health and Economic Livelihood Partnership (HELP) Act 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 federal fiscal year 2017 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.

## **EXPANSION IMPLEMENTATION STATUS**

### **CURRENT ENROLLMENT**

As of May 15, 2016, DPHHS reported 46,979 newly eligible Medicaid recipients under the HELP Act. Of these 14,273 are being administered by the Third Party Administrator (TPA), with 32,706 administered through DPHHS and the traditional Medicaid system.

In March, 32% of the enrollees were being administered by the TPA. This has subsequently reduced to 31.1% in April, and 30.4% in May.

Under the CMS waiver, Montana was limited in which individuals can be administered by the TPA. Specifically, while all newly eligible individuals below 133% of the federal poverty level are a part of the expansion, and qualify for the enhanced FMAP, only those above 50% of the federal poverty level are administered by the TPA. Additionally, the waiver specifically exempted medically frail individuals, and the department has also exempted qualified Native Americans.

### **THIRD PARTY ADMINISTRATOR (TPA)**

Blue Cross and Blue Shield of Montana (BCBS) is the authorized TPA for the Medicaid expansion in Montana.

The contract requires payment to the TPA weekly for the services covered, and monthly for the administrative fee set on a “per member per month” (PMPM) basis.

## **MONTANA HELP ACT OVERSIGHT COMMITTEE**

The last meeting of the Oversight Committee was March 22. The next meeting is scheduled for July 13, 1:00 – 4:00 pm, in the Capitol, Room 152.

During the March meeting, the committee heard updates from the Governor’s office, as well as enrollment, financial, and process updates from DPHHS, and received information from Blue Cross/Blue Shield. One of the financial updates at that time indicated that \$2.9 million had been identified as general fund savings as of March 22, 2016 and was “frozen” per the HELP Act guidelines, due to the transition of over 8,000 individuals from the traditional Medicaid group to Medicaid expansion group with the enhanced FMAP.

Additionally, the Department of Labor & Industry provided a report on the HELP-Link workforce development program.

The HELP Act stipulated that the Oversight Committee is to deliver a final report to the LFC in August of even numbered years and will be available for your review at the September meeting.

## **FINANCIAL UPDATE**

The department has established budget authority, based on the statutory appropriation in the HELP Act, which authorizes both federal funds and general funds for all necessary benefits and administration.

### **EXPENDITURES**

Montana HELP Act Expenditures through May 2016			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$0	\$78,728,466	\$78,728,466
Senior & Long-Term Care	-	1,534,008	1,534,008
Addictive & Mental Disorders	-	7,743,557	7,743,557
Administration	107,531	243,520	351,051
Contract Services	300,681	715,661	1,016,343
<b>TOTAL</b>	<b>\$408,212</b>	<b>\$88,965,212</b>	<b>\$89,373,424</b>

As with traditional Medicaid, providers have up to 12 months to submit a complete payable claim from the time of service delivery. While the majority of claims are received much earlier, this does make it difficult to accurately understand trends and actual expenditures for Medicaid. The above table indicates a total of \$88.0 million expended for Benefits & Claims, but this does not yet accurately reflect the total Benefits & Claims liability to date for the Medicaid expansion.

### **SAVINGS FROM POPULATION TRANSITION**

As this program matures, more information becomes available from CMS (Center for Medicare & Medicaid Services) that clarifies programmatic details and continues to provide direction to DPHHS. Recent information has resulted in a re-visiting of the numbers of individuals allowed to be moved from the traditional Medicaid population to the 100% federal funding under this expansion. DPHHS is currently working to identify the exact number eligible for the enhanced FMAP under this guidance. It is expected that there will not be 8,000 individuals transitioned as previously reported.

### **PREMIUM INCOME**

A total of almost \$1.0 million of revenues have been recorded as general fund revenue by the department as a result of premium payments through the month of May. Premiums are paid only by those members administered by the TPA, and are collected by the TPA prior to being transferred to DPHHS for deposit into the general fund.

Since the federal share of benefits and claims is currently 100%, all premium revenue will be offset by a reduction in federal funds of the same amount, effectively transferring all revenues to the federal level. As the matching rate changes, Montana will maintain receipt of a like share.

The current average premium amount is \$25.52, as reported by DPHHS. Actual receipts have varied slightly, but average just under \$250,000 each month for February through May.

## **FY 2017 BUDGET**

The department has initially established budgetary authority for FY 2017 in the amount of \$278.6 million, including \$6.8 million general fund authority. These numbers are only preliminary estimates at this time, and do not appear to include the authority to make TPA payments at this point in time. Changes to this budget are expected.

The federal matching rate for the Medicaid expansion will phase in over time, with a final 90/10 federal/state rate in calendar year 2020. As of January 1, 2017, the enhanced FMAP for the Medicaid expansion will be reduced from 100% federal, to 95% federal, placing 5% of the total obligation on the State of Montana. As a result, the FY 2017 budget will have a higher proportional general fund obligation than FY 2016.

## **OTHER DEPARTMENT INTERACTIONS**

### **DEPARTMENT OF LABOR AND INDUSTRY (DLI) HELP-LINK**

As previously reported, DLI was provided a biennial appropriation of \$1.8 million of state special revenue in HB 2 to provide workforce development training in association with the HELP Act. Through the end of April DLI has expended \$361,874. This includes \$185,675 in personal services, \$158,087 in operating expenses, and \$18,211 in grants.

HELP-Link has begun offering workforce development services to HELP Act Medicaid enrollees. An updated report on their activities, participation rates, and outreach efforts has been attached to this report.

### **DEPARTMENT OF REVENUE (DOR)**

The HELP Act provided DOR with a biennial appropriation of \$393,213 of general fund which includes 0.5 full-time equivalent (FTE) in FY 2016 and 1.0 FTE in FY 2017. This appropriation was specifically made for the administration of the "taxpayer integrity fee," which effectively creates an asset test for HELP Act participants. DOR has allocated \$31,719 to FY 2016, however there are no expenditures recorded at this time.

## **SUMMARY**

The HELP Act has been fully implemented, and Medicaid services are being delivered and paid for via 100% federal funds at this time. General fund is being utilized to provide matching funds for administrative costs associated both with the TPA and the expansion population being managed through the traditional Medicaid system. There continue to be modifications to the eligibility determination as CMS provides clarification of guidelines.