

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: the Health Resources Division, the Senior and Long-Term Care Division, the Developmental Services Division, and the Addictive and Mental Disorders Division. The second half of this document discusses the Health and Economic Livelihood Partnership (HELP Act - Medicaid expansion).

FY 2018 MEDICAID FUNDING AND EXPENDITURES

The following table illustrates the current status of the Medicaid appropriation for the July-October period of FY 2018. These estimates are based on actual expenditures. Note that this table does not reflect reductions and other actions that occurred leading up to and during the November 2017 special legislative session.

FY 2018 Medicaid Benefits & Claims Appropriations Compared to DPHHS Projected Expenditures								
Division/Fund	Legislative Appropriation Comparison				Executive Implementation Comparison			
	FY 2018 Legislative Appropriation	Estimated FY 2018 Expenditures ¹	Estimated Expenditures (Over) Under Appropriation	Balance as a % of Legis. Approp.	FY 2018 Modified Appropriation	Changes in Legislative Appropriation ²	Remaining Appropriation (Over) Under Exec. Budget	Balance as a % of Modified Budget
10 Developmental Services Div.								
General Fund	\$65,657,138	\$71,338,836	(\$5,681,698)	-8.7%	\$65,657,138	\$0	(\$5,681,698)	-8.7%
State Special Revenue	6,032,582	6,032,582	0	0.0%	6,032,582	0	0	0.0%
Federal Funds	<u>190,987,302</u>	<u>182,993,496</u>	<u>7,993,806</u>	<u>4.2%</u>	<u>190,987,302</u>	<u>0</u>	<u>7,993,806</u>	<u>4.2%</u>
Subtotal	262,677,022	260,364,914	2,312,108	0.9%	262,677,022	0	2,312,108	0.9%
11 Health Resources Division								
General Fund	158,117,285	161,423,621	(3,306,336)	-2.1%	158,117,285	0	(3,306,336)	-2.1%
State Special Revenue	65,916,676	62,802,763	3,113,913	4.7%	65,916,676	0	3,113,913	4.7%
Federal Funds	<u>473,925,389</u>	<u>477,876,396</u>	<u>(3,951,007)</u>	<u>-0.8%</u>	<u>473,925,389</u>	<u>0</u>	<u>(3,951,007)</u>	<u>-0.8%</u>
Subtotal	697,959,350	702,102,780	(4,143,430)	-0.6%	697,959,350	0	(4,143,430)	-0.6%
22 Senior and Long Term Care								
General Fund	61,821,049	65,967,626	(4,146,577)	-6.7%	61,821,049	0	(4,146,577)	-6.7%
State Special Revenue	29,760,526	29,470,258	290,268	1.0%	29,760,526	0	290,268	1.0%
Federal Funds	<u>184,399,345</u>	<u>190,427,664</u>	<u>(6,028,319)</u>	<u>-3.3%</u>	<u>184,399,345</u>	<u>0</u>	<u>(6,028,319)</u>	<u>-3.3%</u>
Subtotal	275,980,920	285,865,548	(9,884,628)	-3.6%	275,980,920	0	(9,884,628)	-3.6%
33 Addictive and Mental Disorders								
General Fund	10,552,359	11,884,185	(1,331,826)	-12.6%	10,552,359	0	(1,331,826)	-12.6%
State Special Revenue	8,889,878	9,596,393	(706,515)	-7.9%	8,889,878	0	(706,515)	-7.9%
Federal Funds	<u>43,841,780</u>	<u>44,073,018</u>	<u>(231,238)</u>	<u>-0.5%</u>	<u>43,841,780</u>	<u>0</u>	<u>(231,238)</u>	<u>-0.5%</u>
Subtotal	63,284,017	65,553,596	(2,269,579)	-3.6%	63,284,017	0	(2,269,579)	-3.6%
Grand Total All Medicaid Services								
General Fund	296,147,831	310,614,268	(14,466,437)	-4.9%	-	-	(14,466,437)	-4.9%
State Special Revenue	110,599,662	107,901,996	2,697,666	2.4%	-	-	2,697,666	2.4%
Federal Funds	893,153,816	895,370,574	(2,216,758)	-0.2%	-	-	(2,216,758)	-0.2%
Grant Total All Funds	\$1,299,901,309	\$1,313,886,838	(\$13,985,529)	-1.1%	\$0	\$0	(\$13,985,529)	-1.1%

1 Estimated expenditures are based on the DPHHS November budget status report (BSR) which runs through the end of October 2017. These estimates do not include legislative and executive reductions that occurred leading up to and during the November 2017 special session.

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 and additions due to budget amendments.

BUDGET CHANGES

DPHHS did not make any significant changes to the Medicaid benefits and claims budget in the July-October period of FY 2018. Changes that were made leading up to and as a result of the November 2017 special legislative session will be discussed in the next Medicaid Monitoring Report (March 2018).

MAJOR SERVICE CATEGORIES

The following table presents budgets and expenditures for major Medicaid service categories for the first portion of FY 2018 (expenditure and appropriation data is through October 31; projections are through November 9). Data in this table is from the DPHHS budget status report. The largest projected expenditure categories are nursing homes/swing beds, disability services (and related services), drugs, inpatient hospital services, and children's mental health services.

Medicaid Budget and Expenditures by Major Service Category					
Service Category	FY 17 Ending Expenses	FY 18 Initial Budget	FY 18 Current Budget	FY 18 Expenditure Estimates	FY 18 Projected Balance
Nursing Homes & Swing Beds	\$151,168,944	\$159,230,413	\$157,706,180	\$169,894,326	-\$12,188,146
Disability Svcs Waiver/Autism/Tgtd Case Mgt	119,206,485	119,530,718	119,530,718	122,291,987	(2,761,269)
Drugs	109,489,225	119,710,644	119,710,644	113,575,246	6,135,398
Inpatient Hospital	102,040,081	107,653,245	104,848,223	101,870,401	2,977,822
Children's Mental Health	94,665,328	104,665,770	102,282,110	101,717,057	565,053
Indian Health Services - 100% Fed funds	72,201,659	82,373,231	82,373,231	86,730,167	(4,356,936)
Physician & Psychiatrists	71,145,530	71,062,978	71,062,978	72,330,440	(1,267,462)
Hospital Utilization Fees / DSH	52,546,163	68,925,403	68,925,403	66,035,638	2,889,765
Outpatient Hospital	55,672,519	59,882,537	59,882,537	59,113,341	769,196
Critical Access Hospital	55,597,095	59,353,070	59,353,070	56,597,095	2,755,975
Adult Mental Health and Chem Dep	53,058,316	53,428,432	52,074,630	54,716,225	(2,641,595)
SLTC HCBS Waiver	46,810,744	52,730,081	52,730,081	48,113,736	4,616,346
Dental & Denturists	43,120,008	48,001,054	48,001,054	47,578,616	422,438
Personal Care	44,001,523	38,072,136	38,072,136	44,191,297	(6,119,161)
Medicare Buy-In	40,728,383	37,638,739	37,638,739	41,919,097	(4,280,358)
School Based Services - 100% Fed funds	37,126,543	39,369,955	39,369,955	38,375,108	994,847
Other Hospital and Clinical Services	30,528,889	31,459,978	31,459,978	35,135,577	(3,675,600)
Other Practitioners	25,956,649	27,446,426	27,446,426	28,313,232	(866,806)
Part-D Clawback	20,849,619	20,704,075	20,704,075	22,517,589	(1,813,514)
Durable Medical Equipment	16,510,103	16,605,317	16,605,317	17,436,425	(831,108)
Other Managed Care Services	13,810,198	13,716,888	13,716,888	14,388,254	(671,366)
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	9,642,946	(1,247,725)
MDC & ICF Facilities - 100% Fed funds	7,472,962	12,429,293	12,429,293	8,994,478	3,434,815
Other Acute Services	4,517,287	4,186,948	4,186,948	7,539,347	(3,352,399)
HIFA Waiver	7,203,128	7,448,655	7,448,655	7,330,502	118,153
Drug Rebates	(69,445,384)	(73,655,227)	(73,655,227)	(73,471,274)	(183,954)
Total	\$1,229,022,493	\$1,307,968,026	\$1,299,901,309	\$1,315,605,793	-\$15,704,484

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 will provide 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 95% 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.

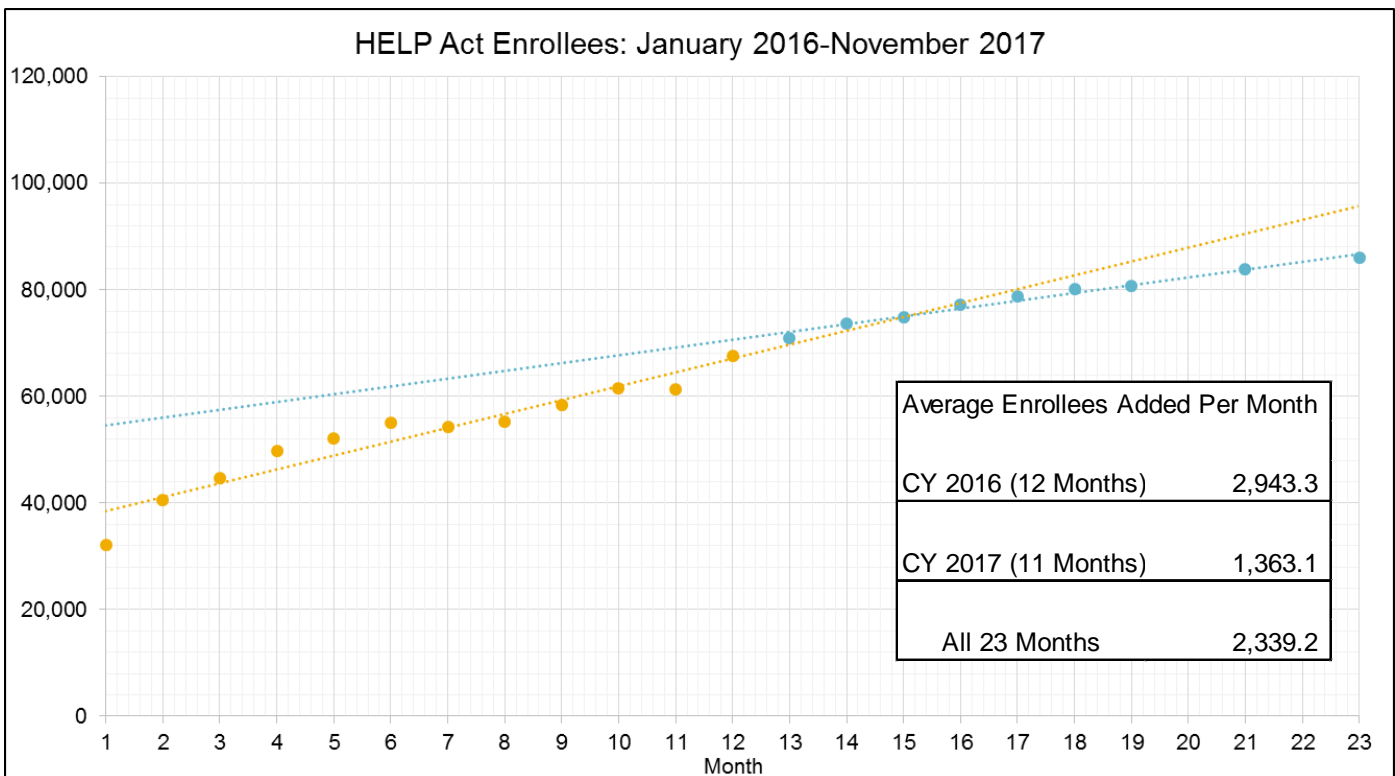
Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

The HELP Act includes a sunset clause that voids the legislation after June 30, 2019. Without action by the 2019 Legislature Medicaid expansion in Montana will cease to exist at that time.

EXPANSION IMPLEMENTATION STATUS

Current Enrollment

As of November 1, 2017, DPHHS was reporting a total of 85,996 individuals covered by the Medicaid expansion. The graph below shows HELP Act enrollment over the first 23 months.



This graph includes two trend lines, one for calendar year 2016 (12 months of the HELP Act) and another for calendar year 2017 (11 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) is the authorized TPA for the Medicaid expansion in Montana. As a part of the SB 261 triggered reductions, the TPA contract will not be renewed after the existing contract expires at the end of the year. Beginning in January 2018, DPHHS will be responsible for administering Medicaid expansion for all participants. Because of the exclusions included in the CMS waiver that allowed for the TPA, DPHHS was already managing approximately two-thirds of the total HELP Act population.

MONTANA HELP ACT OVERSIGHT COMMITTEE

The most recent meeting of the Oversight Committee was held September 27, 2017, just prior to the last LFC meeting at the beginning of October.

During the September 27 meeting the committee heard updates on enrollment, a financial report, and from the Department of Corrections regarding the impact of the HELP Act on their population. There was also an update on the plan being implemented to move away from the use of the TPA, and bringing everything in-house at DPHHS. Additionally, The Department of Labor reported on their activity with HELP-Link.

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. So the expenditures reported below do not reflect actual expenditures for that time period, but are based on actuals with an estimated accrual for those expenditures expected to be paid eventually.

Expenditures

Fiscal Year 2018 Montana HELP Act Expenditures			
June - November 2017			
	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	\$8,887,839	\$134,483,705	\$143,371,543
Senior & Long-Term Care	116,442	2,710,369	2,826,811
Addictive & Mental Disorders	<u>730,724</u>	<u>14,365,888</u>	<u>15,096,612</u>
	9,735,004	151,559,962	161,294,966
Administration			
Personal Services	262,332	566,655	828,987
Operating Expenses	<u>2,258,973</u>	<u>2,255,603</u>	<u>4,514,576</u>
	2,521,305	2,822,258	5,343,563
TOTAL	\$12,256,309	\$154,382,220	\$166,638,529

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 in FY 2018 in HB 2 to provide workforce activities included in the HELP Act. Through the end of November

2017 the DLI has expended nearly \$360,000. This includes approximately \$128,000 in personal services, \$33,000 in operating expenses, and \$199,000 in grants.

DLI did not offer any updates on their role in the HELP Act for the December LFC meeting.

Federal Interactions

Several proposals have come forward at the federal level to eliminate or significantly revise the laws under which Medicaid expansion occurs at the state level. To date, none of these proposals have moved forward, but any potential future action by Congress could have a significant effect on Medicaid expansion in Montana. These actions will be important to understand prior to the 2019 Legislature, where legislators will be faced with a decision on the renewal of Medicaid expansion in Montana. Proposed changes to the federal tax structure could eliminate the mandate to purchase health insurance established under the PPACA (2010), which could significantly change the nature of the Medicaid expansion population in Montana.

Even without Congressional action, differences already exist in the options available to states regarding their Medicaid expansion, which will be important to understand prior to the 2019 Legislature. One significant example is the Section 1332 Innovation Waiver which has been expanded since the passage of the HELP Act and could provide more flexibility in the design and management of Medicaid and state health insurance exchanges.

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. SB 261 results in the termination of the third party administrator: Effective January 2018 DPHHS will be responsible for managing all Medicaid expansion enrollees.