MEDICAID MONITORING REPORT
AND
MONTANA HELP ACT MEDICAID EXPANSION REPORT

A Report Prepared for the
Legislative Finance Committee

By
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LFD
MONTANA LEGISLATIVE FISCAL DIVISION

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, which is 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. This second half of this document discusses the HELP Act (Medicaid expansion).

FY 2017 MEDICAID FUNDING AND EXPENDITURES

The following table illustrates the current status of the Medicaid appropriation for FY 2017. The legislative appropriations include HB 2 authorizations, including the continuation of biennial appropriations not used in FY 2016. These estimates are based on actual expenditures. DPHHS reverted $374,727 of general fund authority.

FY 2017 Medicaid Benefits & Claims Appropriations Compared to DPHHS Projected Expenditures

Division/Fund	May Modified HB 2 Budget	Changes in HB 2 since May 9	FYE 2017 Modified HB 2 Budget	Expenditures and Accruals	HB 2 Balance
10 Developmental Services Division					
General Fund	$73,608,665	($5,855,821)	$67,752,844	$67,752,295	$549
State Special Revenue	6,032,582	0	6,032,582	6,032,582	0
Federal Funds	196,668,826	(1,478,270)	195,190,556	174,019,823	21,170,733
Subtotal	276,310,073	(7,334,091)	268,975,982	247,804,700	21,171,282
11 Health Resources Division					
General Fund	149,901,821	(4,235,300)	145,666,521	145,664,375	2,146
State Special Revenue	68,340,588	2,184,762	70,525,350	69,437,677	1,087,673
Federal Funds	452,172,150	2,562,674	454,734,824	435,962,516	18,772,308
Subtotal	670,414,559	512,136	670,926,695	651,064,568	19,862,127
22 Senior and Long Term Care					
General Fund	65,494,998	(3,622,876)	61,872,122	61,705,316	166,806
State Special Revenue	28,955,357	585,000	29,540,357	26,549,829	2,990,528
Federal Funds	191,932,462	(3,262,106)	188,670,356	178,026,769	10,643,587
Subtotal	286,382,817	(6,299,982)	280,082,835	266,281,914	13,800,921
33 Addictive and Mental Disorders					
General Fund	11,946,890	1,663,964	13,610,854	13,405,628	205,226
State Special Revenue	8,889,878	(1,300,000)	7,589,878	7,246,792	343,086
Federal Funds	56,061,518	(4,932,325)	51,129,193	43,695,202	7,433,991
Subtotal	76,898,286	(4,568,361)	72,329,925	64,347,622	7,982,303
Grand Total All Medicaid Services					
General Fund	300,952,374	(12,050,033)	288,902,341	288,527,614	374,727
State Special Revenue	112,218,405	1,469,762	113,688,167	109,266,880	4,421,287
Federal Funds	896,834,956	(7,110,027)	889,724,929	831,704,310	58,020,619
Grand Total All Funds	$1,310,005,735	($17,690,298)	$1,292,315,437	$1,229,498,804	$62,816,633

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

The Medicaid benefits and claims budget was reduced by $17.9 million, $12.1 million of which was general fund, over the second half of FY 2017. This was due in large part to HB 3 reductions totaling $7.7 million of general fund, and program transfers that shifted authority to other non-Medicaid divisions within DPHHS.

Budget changes in the Developmental Services Division (DSD) included both general fund and federal funds. The department transferred out $5.9 million in general fund and $1.5 million in federal funds. Included in these changes were a reduction to children's mental health services and a reduction to developmental disabilities. Children's mental health services shifted patients to lower cost treatment plans, which resulted in excess authority. The children's mental health services budget was reduced by $4.8 million dollars, 70.0% of which was general fund, the rest being federal funding. Developmental disabilities also reduced their budget by $2.5 million since with this reduction coming out of the general fund. The excess authority in developmental disabilities primarily came from the children's autism waiver and the DD waiver. The department had excess authority in the children's autism waiver because the implementation of the waiver has been slower than anticipated. The department has found ways to provide services to children who would be served on the autism waiver through other programs within the department. It is not uncommon for the DD waiver to experience less than full utilization, resulting in unspent authority. FY 2017 spending levels are in line with FY 2016 levels for the waiver.

The Health Resources Division (HRD) budget increased by $512,136 total funds since the May report. This change includes a reduction of $5.0 million general fund in Medicaid hospital services due to HB 3 reductions by the 2017 Legislature, and an increase of about $5.7 million total funds in executive budget modification. The largest adjustment added $11.1 million in federal authority for Medicaid Indian Health Services benefits.

The Senior and Long-Term Care Division (SLTC) budget decreased by $6.3 million since the May report. This reduction was entirely due to program transfers, the bulk of which moved funds from Community First Choice benefits and Medicaid nursing home benefits to the Child and Family Services Division (CFSD) to cover expenses associated with foster care, guardianship, adoption, and administration. According to DPHHS there was excess authority in the Medicaid nursing home benefits due to two factors: a lower than budgeted number of Medicaid-funded bed-days in nursing homes and the transition from nursing home beds (which are paid a higher rate) to swing beds in a number of small hospitals and county facilities.

Since May the Addictive and Mental Disorders Division (AMDD) reduced their budget by $4.5 million overall. This reduction was comprised of $9.3 million in budget reductions and $4.8 million in budget increases. The reduction came entirely from adult mental health services, and was primarily due to excess authority in the HIFA wavier. In FY 2017, some clients formerly served under the HIFA waiver became eligible for Medicaid expansion, and the costs associated with those clients shifted as well. Additionally, HB 3 reduced Medicaid services within AMDD by $2.7 million, and the program as a whole was reduced by $4,000,000.

Adult mental health also received the majority of the budget increases. Between May and July, there was a higher number of Medicaid eligible clients in need of adult mental health services than expected. The increase in adult mental health services was entirely made up of general fund dollars.

Chemical dependency and mental health facilities accounted for 10.0% of the increase in Medicaid benefits in AMDD. Chemical dependency increased by $369,000 state special revenue and mental health facilities increased by $103,000 federal dollars since May.

Expenditures

DSD expended 92.1% of their modified HB 2 Medicaid budget. They expended 100.0% of state funds and 89.2% of federal funds. DSD currently has an HB 2 budget balance of $21.2 million, half of which is in Comprehensive School and Community Treatment (CSCT). CSCT is entirely funded with federal dollars and is in line with historical spend. At fiscal year-end, facilities were only 36.2% expended, this is due to the vast decline in the MDC population. Facility reimbursements are a function of the census at MDC, and the appropriation for facility reimbursements was set prior to the census decline, resulting in excess federal authority. Children's mental health services and developmental disabilities spent the majority of their modified budget.

The Health Resources Division expended 95.1% of their modified HB 2 budget. This total includes the expenditure of 100.0% of general fund authority, 98.5% of state special revenue authority, and 95.9% federal authority. Most of the remaining federal authority is for the hospital utilization fee.

SLTC expended 95.0% of their modified HB 2 budget. This includes the expenditure of 99.7% of general fund authority, 89.9% of state special revenue authority, and 94.4% of federal authority. Most of the remaining authority in this division is in home and community based services Medicaid benefits.

AMDD expended 89.0% of their modified HB 2 Medicaid budget, of which 98.5% was general fund, 95.5% was state special revenue authority and 85.5% was federal authority. AMDD has $7.9 million remaining in their HB 2 budget, all of which resides in adult mental health services. The excess authority is primarily federal and exists in waiver services. The department did not have the general fund match to leverage the federal dollars appropriated during the 2015 legislative session, resulting in excess federal authority.

MAJOR SERVICE CATEGORIES

The following table presents budgets and expenditures for major Medicaid service categories. Data in this table is from the DPHHS budget status report. As a result, the initial appropriation amount does not equal that in the previous chart for the legislative appropriation. The largest balances are in nursing home IGT, personal care services, school based services (100% federal), and hospital utilization fee/DSH.

Medicaid Budget and Expenditures by Major Service Category						
Service Category	FY 2016 Ending Expenses	FY 2017 Initial Budget	FY 2017 Current Budget	FY 2017 Expenditure Estimates	FY 2017 Estimate as a % of FY 2017 Budget	FY 17 Projected Balance
Inpatient Hospital	$98,992,422	$106,287,967	$103,619,386	$102,040,081	98.5%	$1,579,304
Outpatient Hospital	55,973,947	59,497,896	56,534,179	55,672,519	98.5%	861,660
Critical Access Hospital	52,182,449	57,717,499	56,457,588	55,597,095	98.5%	860,493
Physician & Psychiatrists	67,216,027	73,856,940	72,246,670	71,145,530	98.5%	1,101,140
Drugs	106,767,539	114,244,104	109,489,225	109,489,225	100.0%	-
Drug Rebates	(68,080,561)	(69,441,542)	(69,445,384)	(69,445,384)	100.0%	-
Dental & Denturists	38,242,335	42,793,006	43,787,389	43,120,008	98.5%	667,381
Other Practitioners	23,296,211	27,000,173	26,358,387	25,956,649	98.5%	401,738
Other Hospital and Clinical Service	28,330,311	32,838,668	31,001,394	30,528,889	98.5%	472,505
Other Managed Care Services	12,336,155	13,842,995	14,023,942	13,810,198	98.5%	213,744
Durable Medical Equipment	14,631,876	16,860,155	16,765,634	16,510,103	98.5%	255,531
Other Acute Services	4,005,964	4,325,636	4,587,203	4,517,287	98.5%	69,916
Nursing Homes & Swing Beds	149,157,530	152,934,867	151,462,367	151,168,944	99.8%	293,423
Nursing Home IGT	12,527,238	20,150,700	20,150,700	12,838,949	63.7%	7,311,751
Other SLTC Home Based Services	9,219,874	13,878,708	10,201,547	10,201,546	100.0%	1
Personal Care	41,038,444	54,413,242	49,971,921	44,001,523	88.1%	5,970,398
SLTC HCBS Waiver	43,821,546	47,573,996	47,001,996	46,810,744	99.6%	191,252
Adult Mental Health and Chem Dep	49,657,677	53,111,390	57,629,705	53,058,316	92.1%	4,571,389
HIFA Waiver	18,931,831	20,086,029	11,090,355	7,203,128	64.9%	3,887,227
Children's Mental Health	96,397,615	104,205,247	98,190,282	94,665,328	96.4%	3,524,954
School Based Services - 100% Fe	36,041,612	45,832,297	47,338,725	37,126,543	78.4%	10,212,182
Indian Health Services - 100% Fed	55,186,298	61,443,713	72,453,708	72,201,659	99.7%	252,049
Disability Services Waiver / Autism	111,784,498	124,532,471	122,050,214	119,206,485	97.7%	2,843,729
MDC & ICF Facilities - 100% Fed f	11,512,162	10,469,477	12,097,475	7,472,962	61.8%	4,624,513
Medicare Buy-In	33,275,829	36,777,308	40,728,388	40,728,383	100.0%	5
Hospital Utilization Fees / DSH	66,755,614	67,304,818	65,672,821	52,546,163	80.0%	13,126,658
Part-D Clawback	17,974,324	19,092,578	20,849,620	20,849,619	100.0%	1
Total	$1,187,176,767	$1,311,630,338	$1,292,315,437	$1,229,022,492	95.1%	$63,292,945
Change from Initial Budget			($19,314,901)			

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.

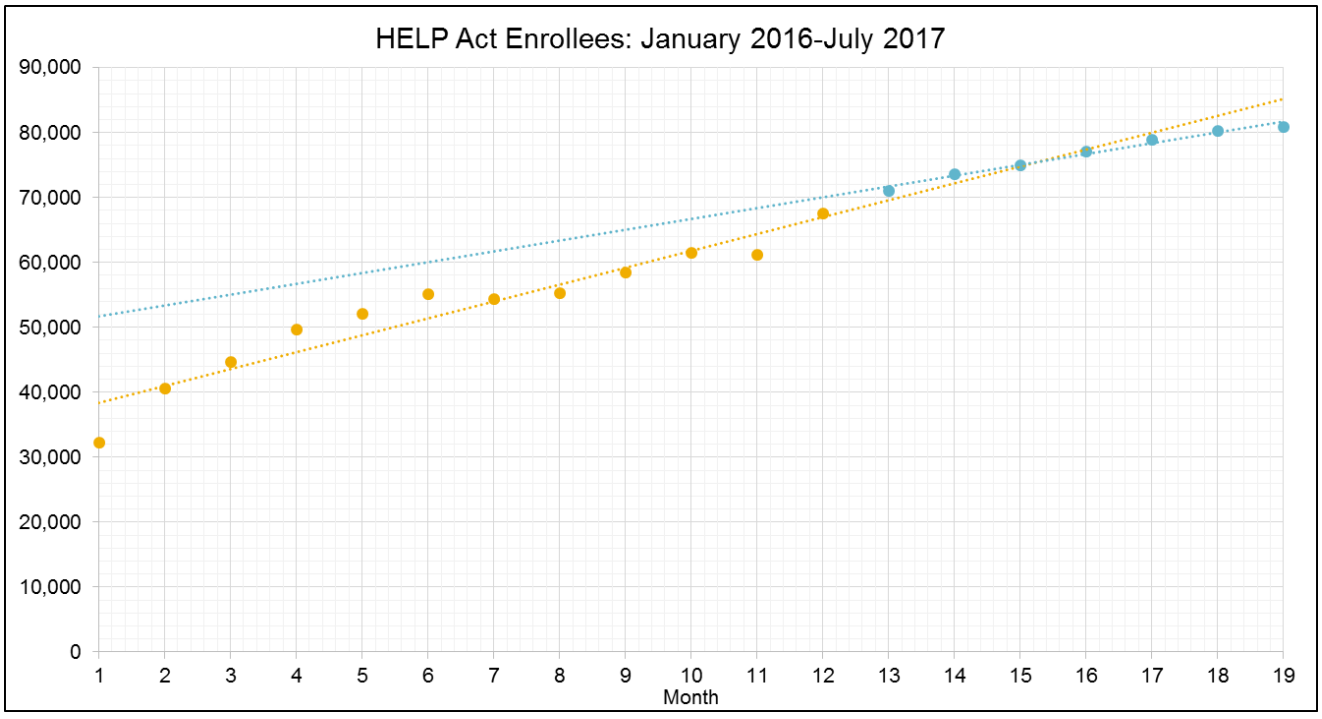
Federal Match Rate		
Calendar Year	Federal Share	State Share
2016	100.0%	0.0%
2017	95.0%	5.0%
2018	94.0%	6.0%
2019	93.0%	7.0%
2020+	90.0%	10.0%

The HELP Act does include a sunset clause voiding the entire after June 30, 2019. Without action by the 2019 Legislature, Medicaid expansion in Montana will cease to exist.

EXPANSION IMPLEMENTATION STATUS

CURRENT ENROLLMENT

As of September 15, 2017, DPHHS was reporting a total of 83,882 individuals covered by the Medicaid expansion. The graph below shows HELP Act enrollment over the first 19 months.



This graph includes two trendlines, one for calendar year 2016 (12 months of the HELP Act) and another for calendar year 2017 (7 months). These trendlines illustrate that the enrollment growth rate for the HELP Act has slowed over the first half of calendar year 2017.

THIRD PARTY ADMINISTRATOR

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. The rate for this service was $25.39 in FY 2017.

As a part of the SB 261 triggered reductions, the TPA contract is not expected to 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 2/3 of the population. However, there are differences in the management of these different populations, including that the TPA population is required to pay a premium and that premium can be used to offset copays.

MONTANA HELP ACT OVERSIGHT COMMITTEE

The most recent meeting of the Oversight Committee was held September 27, 2017. The last two meetings have been only two hours in length, with one of them occurring as a conference call.

During that 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 for FY 2017 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 2017 Montana HELP Act Expenditures
Including Accruals

	General Fund	Federal Funds	Total
Benefits & Claims			
Health Resources Division	$ 14,324,840	$ 495,518,832	$ 509,843,672
Addictive & Mental Disorders	1,291,428	38,507,728	39,799,156
Developmental Services Division	-	2,297	2,297
Senior & Long-Term Care	250,022	7,283,314	7,533,336
	15,866,290	541,312,171	557,178,461
Administration			
Personal Services	800,262	1,674,791	2,475,053
Operating Expenses	5,009,110	6,620,238	11,629,348
	5,809,372	8,295,029	14,104,401
Third Party Administrator	2,776,120	2,776,121	5,552,241
TOTAL	$ 24,451,782	$ 552,383,321	$ 576,835,103

Total general fund expenditures for FY 2017 were $6.7 million higher than projected by the LFD during the 2017 Legislative Session. Driving factors behind the greater expense include higher overall enrollment, a higher average annual per member benefit, and higher administrative costs.

The estimated average cost of benefits per enrollee for FY 2016 was just over $6,000, which is lower than that of the traditional Medicaid population, even when compared to non-disabled adults of the same age range. However, the final estimated average benefit cost per enrollee for FY 2017 is over $8,000, which is very similar to the average cost of non-disabled Medicaid enrollees between the ages of 19-64 in FY 2014.

PREMIUM INCOME

DPHHS collected $5.0 million of premiums in FY 2017.

2019 BIENNIUM PROJECTION

During the 2017 Legislature, the general fund balance sheet included a projection of $82.5 million general fund for the 2019 biennium to fund Medicaid expansion. The executive now includes an estimate of $92.3 million in their balance sheet.

OTHER INTERACTIONS

DEPARTMENT OF LABOR AND INDUSTRY (DLI) HELP-LINK

DLI was originally provided a biennial appropriation of $1.8 million of state special revenue (Employment Security Account) in HB 2 to provide workforce development training in association with the HELP Act. Through the end of FY 2017 DLI expended nearly $1.2 million. This includes approximately $450,000 in personal services, $189,000 in operating expenses, and $518,000 in grants.

During the 2017 Legislature there were two decision packages regarding the HELP Act for DLI (in the Workforce Services Division). The Legislature eliminated personal services funding for 13.00 FTE and restricted the appropriation to operating expenses for workforce development activities related to the HELP Act (there is language in HB 2). DLI received approximately $884,000 each fiscal year.

According to DLI about 10,000 HELP Act enrollees have completed HELP-Link surveys since the inception of the HELP Act. About 1,900 people have received direct employment training services through HELP-Link since the creation of the program.

DEPARTMENT OF REVENUE (DOR)

The HELP Act provided DOR with a 2017 biennial appropriation of $393,213 of general fund. None of this money was spent, $31,719 was reverted in FY 2016, $95,157 was reduced in HB 3 (2017 Session), and the remaining $266,337 was reverted at the end of FY 2017.

There are also no funds in DOR for the HELP Act going forward. Prior to the 2017 session, this was an ongoing appropriation that would have occurred in both FY 2018 and FY 2019. HB 3 removed $95,157 in each year, the department proposed an additional annual reduction of $250,000 which was accepted, and the remaining annual $16,337 was also subsequently removed by the 2017 Legislature.

FEDERAL INTERACTION

Several proposals have come forward recently 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 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.

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.

SUMMARY

FY 2017 was the first full fiscal year of operations for Medicaid expansion in Montana. The HELP Act continued a pattern of rapid enrollment growth, though the growth rate seems to have slowed over the past few months. SB 261 results in the termination of the third party administrator: effective January 2018 DPHHS will be responsible for managing all Medicaid expansion enrollees. Total HELP Act general fund expenditures in FY 2017 were $6.7 million higher than LFD projections during the 2017 session.