GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

# Fiscal Note 2027 Biennium

Bill#/Title: **HB0185: Provide for continuous healthy Montana kids plan eligibility for children under 6**

Primary Sponsor: Ed Stafman Status: As Introduced

☐ Included in the Executive Budget ☒ Needs to be included in HB 2 ☐ Significant Local Gov Impact

☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

## FISCAL SUMMARY

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Expenditures** | | | | |
| General Fund (01) | $2,973,935 | $5,906,918 | $5,995,522 | $6,085,454 |
| Federal Special Revenue (03) | $6,853,072 | $13,257,919 | $13,456,787 | $13,658,639 |
| **Revenues** | | | | |
| General Fund (01) | $0 | $0 | $0 | $0 |
| Federal Special Revenue (03) | $6,853,072 | $13,257,919 | $13,456,787 | $13,658,640 |
| **Net Impact** | ($2,973,935) | ($5,906,918) | ($5,995,522) | ($6,085,454) |
| **General Fund Balance** | | | | |

**Description of fiscal impact**

HB 185 directs the Department of Public Health and Human Services (department) to implement continuous eligibility for children under age six in the Healthy Montana Kids (HMK) plan, which includes children enrolled in the Children's Health Insurance Program (CHIP) or Medicaid program. This change will result in increased claims for enrolled children. The department will need additional staff to manage the increased health services workload related to applying for and managing a new 1115 demonstration waiver.

## FISCAL ANALYSIS

**Assumptions**

**Department of Public Health and Human Services**

**Human and Community Services Division (HCSD)**

1. HCSD estimates that approximately 4,700 cases will be of children aged zero to six, with Medicaid/HMK programs only. These cases will be continuously eligible and not require a yearly redetermination. HCSD estimates the workload to redetermine eligibility of this Medicaid caseload will save approximately 2,350 hours of work/year (4,700 cases x 30 minutes/case=2,350). The department conducts eligibility activities for a number of programs and populations in addition to the Medicaid/CHIP population. These hours would be spent conducting other eligibility activities and would not result in any savings.
2. The CHIMES eligibility system will require one-time modifications to the eligibility determination rules for span logic and renewal logic for continuous eligibility for children under six years and one month and over six years and one month of age. The modifications include changes to issuance interfaces, to notice language, and triggering logic. It is estimated the department would need to contract for 1,800 hours at a

rate of $125 per hour, for a total cost of $225,000. This work would be funded 10% general fund and 90% federal fund.

**Health Resources Division (HRD)**

3. The department assumes that the implementation of continuous eligibility for children under the age of six years old who are enrolled in the HMK program (Medicaid/CHIP) will require a 1115 waiver through the Centers for Medicare and Medicaid Services (CMS). To meet federal and state public notice requirements and timelines, the department will submit the waiver to be approved by October 1, 2025, so that implementation can take effect on January 1, 2026.
4. The 1115 waiver is a five-year approval waiver from CMS. Based off past workload to implement and monitor current waivers, the department estimates an additional FTE 0.50 program specialist 1. The position will be responsible for drafting the waiver, leading public hearings, monitoring waiver requirements, collecting and analyzing waiver data, completing quarterly reporting and close out requirements. It is estimated that the position will cost $38,032 in the first year, of which $35,614 is personal services, $1,068 is operating and $1,350 of one-time-only funds.
5. These costs are Medicaid administrative services that receive Federal Medical Assistance Percentage (FMAP) of 50% general fund and 50% federal funds for personal services.
6. The department does not believe children under age one would be impacted by HB 185 as a current 12-month continuous eligibility policy is currently in place.
7. The department performed an historical analysis of children under the age of six who have previously lost Medicaid coverage under current policies, but under HB 185 would remain continuously enrolled. Based on this analysis, the department expects an annual increase in Medicaid member months of approximately 25.84% for this impacted population. This equates to an increase in an additional 62,113 months of Medicaid coverage on an annual basis, or approximately 5,176 additional children covered by Medicaid each month (62,113 Medicaid months/12 months = 5,176 children per month). These are additional months of coverage the Medicaid caseload would incur based on this bill.
8. Based on review of claims data, the average Medicaid per member per month (PMPM) cost for these additional months is estimated to be $204.90. This results in an additional total cost of $12,726,934 (62,113 x $204.90). This annual cost is prorated at 50% based on a January 1, 2026, implementation date for FY 2026.
9. The department assumes the Medicaid benefit costs will be eligible for standard Medicaid FMAP (61.61% in FY 2026 and 61.47% in FY 2027 - FY 2030).
10. The department performed a historical analysis of children under six who have previously lost CHIP coverage under current policies, but under HB 185 would remain continuously enrolled. Based on this analysis, the department assumes an annual increase in CHIP member months of approximately 23.57% for this impacted population. This equates to an increase in an additional 11,204 months of CHIP coverage on an annual basis, or approximately 934 additional children covered by CHIP each month. (11,204 Medicaid months/12 months = 934 children per month). These are additional months of coverage the CHIP caseload would incur based on HB 185.
11. Based on review of claims data, the average CHIP per member per month cost for these additional months is estimated to be $325.94. This results in an additional total cost of $3,651,796 (11,204 x $325.94). This annual cost is prorated at 50% based on a January 1, 2026, implementation date for FY 2026.
12. Based on a review of claims data, the department assumes an additional cost of $2,749,426 for Indian Health Service and tribal services eligible for 100% federal reimbursement.
13. The department assumes the CHIP benefit costs will be eligible for the CHIP FMAP (73.19% federal funds in FY 2026 and 73.03% federal funds in FY 2027-FY 2030).
14. The department applied a 1.5% inflationary factor for FY 2028 and FY 2029.

**Fiscal Note Request** - As Introduced *(continued)*

Calculations for assumptions #7 - #14 are included in the table below:

| CONTINUOUS ELIGIBILITY FOR CHILDREN UNDER 6 YEARS OF AGE IN THE HEALTHY MONTANA KIDS PLAN | | | | | |
|---|---|---|---|---|---|
| | 6 MONTHS | | | | |
| | SFY 2026 | SFY 2027 | SFY 2028 | SFY 2029 | SFY 2030 |
| **MEDICAID** | | | | | |
| Eligible Member Months Prior to Change | 120,187 | 240,374 | 240,374 | 240,374 | 240,374 |
| Increase Enrollment Factor due to HB 185 | 1.2584 | 1.2584 | 1.2584 | 1.2584 | 1.2584 |
| Total Member Months with HB 185 | 151,243 | 302,487 | 302,487 | 302,487 | 302,487 |
| Member Months Impacted | 31,056 | 62,113 | 62,113 | 62,113 | 62,113 |
| Expenditure Cost PMPM | 204.90 | 204.90 | 207.97 | 211.09 | 214.26 |
| **Increased Expenditures** | **6,363,364** | **12,726,934** | **12,917,838** | **13,111,605** | **13,308,279** |
| **CHIP** | | | | | |
| Eligible Member Months Prior to Change | 23,767 | 47,534 | 47,534 | 47,534 | 47,534 |
| Increase Enrollment Factor due to HB 185 | 1.2357 | 1.2357 | 1.2357 | 1.2357 | 1.2357 |
| Total Member Months with HB 185 | 29,369 | 58,738 | 58,738 | 58,738 | 58,738 |
| Member Months Impacted | 5,602 | 11,204 | 11,204 | 11,204 | 11,204 |
| Expenditure Cost PMPM | 325.94 | 325.94 | 330.83 | 335.79 | 340.83 |
| **Increased Expenditures** | **1,825,898** | **3,651,796** | **3,706,573** | **3,762,171** | **3,818,604** |
| **TRIBAL** | | | | | |
| Eligible Member Months Prior to Change | 30,785 | 61,569 | 61,569 | 61,569 | 61,569 |
| Increase Enrollment Factor due to HB 185 | 1.2584 | 1.2584 | 1.2584 | 1.2584 | 1.2584 |
| Total Member Months with HB 185 | 38,739 | 77,478 | 77,478 | 77,478 | 77,478 |
| Member Months Impacted | 7,955 | 15,909 | 15,909 | 15,909 | 15,909 |
| Expenditure Cost PMPM | 172.82 | 172.82 | 175.41 | 178.05 | 180.72 |
| **Increased Expenditures** | **1,374,713** | **2,749,426** | **2,790,667** | **2,832,527** | **2,875,015** |
| **FMAPS** | | | | | |
| **MEDICAID** | | | | | |
| State Share | 38.39% | 38.53% | 38.53% | 38.53% | 38.53% |
| Federal Share | 61.61% | 61.47% | 61.47% | 61.47% | 61.47% |
| **CHIP** | | | | | |
| State Share | 26.81% | 26.97% | 26.97% | 26.97% | 26.97% |
| Federal Share | 73.19% | 73.03% | 73.03% | 73.03% | 73.03% |
| **TRIBAL** | | | | | |
| State Share | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Federal Share | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| **TOTAL** | | | | | |
| State Share | 2,932,419 | 5,888,577 | 5,976,906 | 6,066,559 | 6,157,558 |
| Federal Share | 6,631,556 | 13,239,578 | 13,438,172 | 13,639,744 | 13,844,341 |
| **TOTAL IMPACT** | **9,563,975** | **19,128,155** | **19,415,077** | **19,706,303** | **20,001,898** |
| **MEDICAID BREAKDOWN BY DIVISION** | | | | | |
| Health Resources Division | 6,208,954 | 12,418,108 | 12,604,379 | 12,793,445 | 12,985,347 |
| Children's Mental Health | 129,213 | 258,430 | 262,307 | 266,241 | 270,235 |
| Senior and Long Term Care | 25,197 | 50,396 | 51,152 | 51,919 | 52,698 |

## Fiscal Analysis Table

### Department of Public Health and Human Services

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|---|---|---|---|---|
| **Fiscal Impact** | | | | |
| FTE | 0.50 | 0.50 | 0.50 | 0.50 |
| **TOTAL Fiscal Impact** | **0.50** | **0.50** | **0.50** | **0.50** |
| **Expenditures** | | | | |
| Personal Services | $35,614 | $35,614 | $36,148 | $36,690 |
| Operating Expenses | $227,418 | $1,068 | $1,084 | $1,100 |
| Benefits | $9,563,975 | $19,128,155 | $19,415,077 | $19,706,303 |
| **TOTAL Expenditures** | **$9,827,007** | **$19,164,837** | **$19,452,309** | **$19,744,093** |
| **Funding of Expenditures** | | | | |
| General Fund (01) | $2,973,935 | $5,906,918 | $5,995,522 | $6,085,454 |
| Federal Special Revenue (03) | $6,853,072 | $13,257,919 | $13,456,787 | $13,658,639 |

| | | | | |
|---|---|---|---|---|
| **TOTAL Funding of Expenditures** | **$9,827,007** | **$19,164,837** | **$19,452,309** | **$19,744,093** |
| **Revenues** | | | | |
| Federal Special Revenue (03) | $6,853,072 | $13,257,919 | $13,456,787 | $13,658,640 |
| **TOTAL Revenues** | **$6,853,072** | **$13,257,919** | **$13,456,787** | **$13,658,640** |
| **Net Impact to Fund Balance (Revenue minus Funding of Expenditures)** | | | | |
| General Fund (01) | ($2,973,935) | ($5,906,918) | ($5,995,522) | ($6,085,454) |
| Federal Special Revenue (03) | $0 | $0 | $0 | $1 |

**Technical Concerns**

1. The bill directs the department to pursue waiver approval for the extended coverage period. As of this date, CMS guidelines do not indicate that 1115 waivers for continuous eligibility require a demonstration of cost savings.
2. There is not sufficient data to support an analysis of potential cost avoidance associated with the proposed legislation in HB 185.
3. HMK/CHIP is a capped program in which each state is provided an annual CHIP allotment. Montana spends on average 90% of its federal allotment each fiscal year. To prevent overspending of federal funds, DPHHS may create an enrollment cap, and place newly eligible children on a waiting list until a spot opens in HMK/CHIP (42 CFR 457 350(h)). This would require additional eligibility system, CHIMES, change to manage the waitlist.

NOT SIGNED BY SPONSOR

| Sponsor's Initials | Date | Budget Director's Initials | Date |
|---|---|---|---|
| | | | 1/20/2025 |