



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2025 Biennium

**Bill information:**

HB0230 - Provide continuous eligibility for young children covered by CHIP and Medicaid (Stafman, Ed )

**Status:** As Introduced

- Significant Local Gov Impact     
 Needs to be included in HB 2     
 Technical Concerns  
 Included in the Executive Budget     
 Significant Long-Term Impacts     
 Dedicated Revenue Form Attached

### FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<b>Expenditures:</b>				
General Fund	\$2,968,466	\$5,839,166	\$5,926,812	\$6,014,454
Federal Special Revenue	\$7,463,514	\$14,536,878	\$14,754,873	\$14,972,880
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Federal Special Revenue	\$7,463,514	\$14,536,878	\$14,754,873	\$14,972,880
<b>Net Impact-General Fund Balance:</b>	<u>(\$2,968,466)</u>	<u>(\$5,839,166)</u>	<u>(\$5,926,812)</u>	<u>(\$6,014,454)</u>

**Description of fiscal impact:** HB 230 directs the Department of Public Health and Human Services (DPHHS/ the department) to implement continuous eligibility for children under age six in the Healthy Montana Kids plan, which includes children enrolled in the CHIP or Medicaid program. This will result in increased claims for health services for enrolled children. The department will need additional staff to manage the increased workload related to applying for and managing a new 1115 demonstration waiver.

### FISCAL ANALYSIS

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

- The department estimates up to 3,281 cases of children aged 0-5, with Medicaid/CHIP coverage only. These cases will be continuously eligible and not require a yearly redetermination. The department estimates annual redeterminations of eligibility for this population takes approximately 1,083 hours of work per year. (3,281 cases x 20 minutes/case=1,094 hours). 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 therefore not result in any savings.

2. The CHIMES eligibility system will require one-time modifications to the eligibility determination rules to allow for continuous eligibility for children under six. The modifications include changes to issuance interfaces, to notice language, and triggering logic. It is estimated DPHHS would need to contract for 1,800 hours at a contracted programmer rate of \$125 per hour, for a total cost of \$ 225,000. This work would be funded 10% general fund and 90% federal fund. (1,800 hours X \$125 per hour = \$225,000).

### Medicaid Divisions

3. The department assumes implementation of continuous eligibility for children under the age of six years old enrolled in the HMK program (Medicaid/CHIP) will require a 1115 Waiver through the Centers for Medicare & Medicaid Services (CMS), with approval and implementation effective on January 1, 2024.
4. The 1115 waiver is a five-year approval from CMS. Based off past workload to implement and monitor current waivers, the department estimates and additional 0.50 FTE 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 \$36,624 in the first year, of which \$34,198 is personal services, \$1,026 is operating, and \$1,400 is OTO.
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 1 would be impacted by HB 230 as a 12-month continuous eligibility is current policy.
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 230 would remain continuously enrolled. Based on this analysis, the department expects an annual increase in Medicaid member months of approximately 26.45% for this impacted population. This equates to an increase in an additional 88,652 months of Medicaid coverage on an annual basis, or approximately 7,388 additional children covered by Medicaid each month. (88,652 Medicaid months ÷ 12 months = 7,388 children per month). These are additional months of coverage the Medicaid caseload would incur based on HB 230. See the table in Assumption 14 for details.
8. Based on review of claims data, the average Medicaid per member per month cost for these additional months is estimated to be \$187.20. This results in an additional total cost of \$16,596,000 (88,652 x \$187.20). This annual cost is prorated at 50% based on a January 1, 2024, implementation date for FY 2024.
9. Based on a review of claims data, the department assumes \$2,992,801 of these expenditures will be for Indian Health Service and tribal services eligible for 100% federal reimbursement. The remainder (\$13,603,199) will be eligible for standard Medicaid FMAP (63.91% in FY 2024 and 64.12% in FY 2025-FY 2027).
10. The department performed an historical analysis of children under six who have previously lost CHIP coverage under currently policies, but under HB 230 would remain continuously enrolled. Based on this analysis, the department assumes an annual increase in CHIP member months of approximately 24.17% for this impacted population. This equates to an increase in an additional 14,712. months of CHIP coverage on an annual basis, or approximately 1,226 additional children covered by CHIP each month. (14,712 Medicaid months ÷ 12 months = 1,226 children per month) These are additional months of coverage the CHIP caseload would incur based on HB 230. See the table in Assumption 14 for details.
11. Based on review of claims data, the average CHIP per member per month cost for these additional months is estimated to be \$254.54. This results in an additional total cost of \$3,744,710 (14,712 x \$254.54). This annual cost is prorated at 50% based on a January 1, 2024, implementation date for FY 2024.

12. The department assumes the CHIP benefit costs will be eligible for the CHIP FMAP (74.76% federal funds in FY 2024 and 74.88% federal funds in FY 2025-FY 2027.)
13. The department applies a 1.5% inflationary factor for both FY 2026 and FY 2027.
14. The table below includes the Medicaid and CHIP enrollment growth rates and per member per month increases before funding:

Medicaid and CHIP Enrollment & Member Month Growth Rate Calculations	FY 2022 Actual	Annual % Increase in Member Months	FY 2022 with HB 230	Increase in Member Months	Reduction due to death/move out of state	Per Member, Per Month	Increased Reimbursement
CHIP Original w/out 0-12 months	61,143	24.17%	75,924	14,781	14,712	\$ 254.54	\$ 3,744,792
Medicaid w/out 0-12 Months	336,773	26.45%	425,844	89,071	88,652	\$ 187.20	\$ 16,596,000

	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.50	0.50	0.50	0.50
<b><u>Expenditures:</u></b>				
Personal Services	\$34,198	\$34,305	\$34,820	\$35,342
Operating Expenses	\$227,426	\$1,029	\$1,044	\$1,060
Benefits	\$10,170,356	\$20,340,710	\$20,645,821	\$20,950,932
<b>TOTAL Expenditures</b>	<b>\$10,431,980</b>	<b>\$20,376,044</b>	<b>\$20,681,685</b>	<b>\$20,987,334</b>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$2,968,466	\$5,839,166	\$5,926,812	\$6,014,454
Federal Special Revenue (03)	\$7,463,514	\$14,536,878	\$14,754,873	\$14,972,880
<b>TOTAL Funding of Exp.</b>	<b>\$10,431,980</b>	<b>\$20,376,044</b>	<b>\$20,681,685</b>	<b>\$20,987,334</b>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$7,463,514	\$14,536,878	\$14,754,873	\$14,972,880
<b>TOTAL Revenues</b>	<b>\$7,463,514</b>	<b>\$14,536,878</b>	<b>\$14,754,873</b>	<b>\$14,972,880</b>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$2,968,466)	(\$5,839,166)	(\$5,926,812)	(\$6,014,454)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Technical Notes:**

1. There is a discrepancy in the bill between coverage for five continuous years and until the child’s sixth birthday. The bill introduction and Section 1 (6) reference coverage for children up to age six. Section 1 (4) and Section 1 (5) reference five years of continuous eligibility. Coverage from birth to age six will require up to six years of continuous eligibility. For the purposes of this fiscal note, coverage up to age six was assumed as the intent.
2. The bill directs the department to pursue waiver approval for the extended coverage period. Approval of an 1115 Waiver for continuous eligibility will likely require demonstration of offsetting savings.

			1-19-23
<i>Sponsor's Initials</i>	<i>Date</i>	<i>Budget Director's Initials</i>	<i>Date</i>