



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0880.01: Establish a stabilization fund for medicaid

Primary Sponsor: Mary Caferro 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

	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>	<u>FY 2028</u> <u>Difference</u>	<u>FY 2029</u> <u>Difference</u>
Expenditures				
Other	\$0	\$0	\$0	\$0
Revenues				
Other	\$0	\$0	\$0	\$0
Capital Projects (05)	(\$19,400,000)	(\$11,800,000)	(\$27,000,000)	(\$11,300,000)
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

Description of fiscal impact

HB 880 effectuates a stabilization fund if reversions in Medicaid occur for use when Medicaid appropriations are insufficient to cover claims. It does not increase expenditures. This bill also adds a \$50,000 general fund appropriation for Medicaid matching funds.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (department)

1. HB 880 effectuates a stabilization fund if reversions in Medicaid occur for use when Medicaid appropriations are insufficient to cover claims.
2. It is assumed that it will not increase expenditures.

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3. Directing the Medicaid reversion amount to the Medicaid stabilization reserve account will reduce the amount of the annual transfer of excess reversions from the general fund to the budget stabilization reserve account provided for in 17-7-130(3), MCA.
4. Based on Medicaid reversion amounts for the past five fiscal years, the average reversion is \$19.4 million.
5. Under current law, total excess reversions are estimated to be \$50 million per year for the period FY 2025 - FY 2028. The excess reversion transfers for these years will take place in FY 2026 – FY 2029.
6. With the exclusion of the Medicaid reversion, estimated to be \$19.4 million per year, total excess reversions will be \$30.6 million per year under HB 880.
7. In each biennium, the budget stabilization reserve (BSR) account is capped at an amount equal to 16% of

general revenue appropriations (17-7-130(5), MCA) in the second year of a biennium. For the 2025 biennium, this amount is \$521.7 million.

8. General revenue appropriations include general fund appropriations and appropriations from the state equalization aid and property tax relief (SEPTR) account. General fund appropriations are assumed to grow by 3% per year and appropriations from the SEPTR are assumed to be equal to revenue into the account as projected in the HJ 2 revenue estimate.
9. The BSR account is currently at its cap and so any transfers of excess reversions for FY 2025 will flow through to the capital development account (17-7-130(5), MCA).
10. The BSR account is projected to have room under the cap in FY 2026, when the cap increases for the 2027 biennium. It is then expected to reach its cap in FY 2027 and again have room under the cap in FY 2028.
11. Transfers of excess reversions are made by August 15 following the end of a fiscal year.
12. The fiscal impact of HB 880 is to increase general fund transfers by \$19.4 million to the Medicaid stabilization reserve account while at the same time reducing the general fund transfer to the BSR account by the same amount. The net impact to the general fund is zero.
13. Because general fund transfers of excess reversions can flow through the BSR account to the capital development account, the decrease in the annual transfer from the general fund to the BSR will translate to a reduction in transfers from the BSR account to the capital development account by \$19.4 million in FY 2026, \$11.8 million in FY 2027, \$27 million in FY 2028, and \$11.3 million in FY 2029.

Fiscal Analysis Table

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
<u>Fiscal Impact</u>				
<u>Expenditures</u>				
Transfers	\$0	\$0	\$0	\$0
Medicaid stabilization reserve	\$19,400,000	\$19,400,000	\$19,400,000	\$19,400,000
Budget stabilization reserve	(\$19,400,000)	(\$19,400,000)	(\$19,400,000)	(\$19,400,000)
TOTAL Expenditures	\$0	\$0	\$0	\$0
<u>Funding of Expenditures</u>				
<u>Revenues</u>				
Other	\$0	\$0	\$0	\$0
Capital Projects (05)	(\$19,400,000)	(\$11,800,000)	(\$27,000,000)	(\$11,300,000)
TOTAL Revenues	(\$19,400,000)	(\$11,800,000)	(\$27,000,000)	(\$11,300,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
Other	\$0	\$0	\$0	\$0
Capital Projects (05)	(\$19,400,000)	(\$11,800,000)	(\$27,000,000)	(\$11,300,000)

Technical Concerns

Department of Public Health and Human Services

1. SB 880 appropriates \$50,000 of general fund for Medicaid matching funds. It is unclear what this appropriation is to be used for.
2. Section 1(3) of HB 880 requires that any unspent state general fund Medicaid appropriations at the end of each fiscal year be transferred to the account established in that section. However, Medicaid providers have up to 12 months to bill for services, and the department must accrue expenses for services incurred but not yet billed. Transferring the remaining balance as required by HB 880 would leave the department without funds to cover these accrued obligations.

Sponsor's Initials

Date

NOT SIGNED BY SPONSOR



Budget Director's Initials

4/2/2025

Date