



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0687.01: Revise age of expanded Medicaid participants required to engage in community engagement activities**

Primary Sponsor: Bill Mercer 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 | | | | |
| General Fund (01) | \$12,244 | (\$397,443) | (\$401,185) | (\$405,117) |
| Federal Special Revenue (03) | \$36,731 | (\$3,740,123) | (\$3,777,137) | (\$3,814,974) |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$36,731 | (\$3,740,123) | (\$3,777,137) | (\$3,814,974) |
| Net Impact | <u>(\$12,244)</u> | <u>\$397,443</u> | <u>\$401,185</u> | <u>\$405,117</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB687 requires the Department of Public Health and Humans Services to implement community engagement requirements for participants of the Medicaid expansion program who are aged 55 to 61. This change will result in an increase in eligibility administration costs, decreased enrollment, and a decrease in associated benefit expenditures and other administrative costs.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (department)

1. To implement SB 687, the department would need to submit an 1115 demonstration waiver to CMS. The department assumes this waiver would be submitted on or before July 1, 2025, and assumes CMS approval on or before January 1, 2026.
2. There are currently 8,879 individuals enrolled on Medicaid expansion between the ages of 55 and 61. The department used existing administrative data to determine that 7,205 of these participants would meet another exemption to community engagement requirements, leaving 1,674 that would need to comply with community engagement requirements.
3. The department estimates those who will be non-compliant will be 25% per year based on estimates from other states (An Overview of Medicaid Work Requirements: What Happened Under the Trump and Biden Administrations? | KFF). Therefore, of the current 1,674 individuals impacted by HB 687 the department estimates 419 would be disenrolled for non-compliance of community engagement requirements. While administration of community engagement requirements is assumed to begin in January 2026, since non-compliant individuals do not have eligibility suspended for 180 days, the department assumes these

suspensions would begin in July 2026. Therefore, there is no fiscal impact to Medicaid benefits in FY 2026.

4. The department assumes 1% caseload growth in FY 2027, FY 2028, and FY 2029. This increases non-compliant individuals to 423 in FY 2027, 427 in FY 2028, and 431 in FY2029.
5. The department assumes a per member per month cost for Medicaid expansion of \$807.48 based on the department Medicaid expansion caseload request for FY27.
6. The department assumes 7.4% of expenditures are eligible for 100% federal match.

The cost savings for assumption #1-6 are shown in the table below:

| | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--|----------|--------------------|--------------------|--------------------|
| Standard Medicaid | | | | |
| Total Medicaid Expansion Enrollment ages 55-61 | 8,879 | 8,968 | 9,057 | 9,148 |
| Eligible for a Community Engagement Exception | 7,205 | 7,277 | 7,350 | 7,423 |
| Total Medicaid Expansion Enrollment ages 55-61 required to complete Community Engagement requirements | 1,674 | 1,691 | 1,708 | 1,725 |
| % of those who will not comply with CE requirements | 25.0% | 25.0% | 25.0% | 25.0% |
| Total Medicaid Expansion Enrollment ages 55-61 projected to be disenrolled for non-compliance of CE requirements | | 423 | 427 | 431 |
| | | | | |
| Per member per month costs | \$757.73 | \$807.48 | \$807.48 | \$807.48 |
| Months | 6 | 12 | 12 | 12 |
| Total Annual Costs | 4,546.38 | 9,689.76 | 9,689.76 | 9,689.76 |
| Estimated Expenditures | - | (4,095,716) | (4,136,673) | (4,178,040) |
| FMAPs | | | | |
| State - Medicaid Expansion | 10.00% | 10.00% | 10.00% | 10.00% |
| Federal - Medicaid Expansion | 90.00% | 90.00% | 90.00% | 90.00% |
| State - Tribal | 0.00% | 0.00% | 0.00% | 0.00% |
| Federal - Tribal | 100.00% | 100.00% | 100.00% | 100.00% |
| FUNDING | | | | |
| State - Medicaid Expansion | - | (379,263) | (383,056) | (386,887) |
| Federal - Medicaid Expansion | - | (3,413,370) | (3,447,504) | (3,481,979) |
| State - Tribal | - | - | - | - |
| Federal - Tribal | - | (303,083) | (306,114) | (309,175) |
| State - Total | - | (379,263) | (383,056) | (386,887) |
| Federal - Total | - | (3,716,453) | (3,753,617) | (3,791,154) |
| | | | | |
| TOTAL IMPACT | - | (4,095,716) | (4,136,673) | (4,178,040) |

Human and Community Services Division (HCSD)

7. Individuals who would previously be exempt now require increased interaction above typical eligibility steps to assist members in understanding their roles and responsibilities associated with meeting the community engagement activities and additional eligibility process. This increased interaction is estimated to be 30 minutes per member per year. Based on assumption 1 above and assumption 9 below, the department assumes 6 months of eligibility determination work in FY 2026 resulting in 50% of annual work being completed. Each client service coordinator spends approximately 70% of their time conducting eligibility activities (1,456 hours per year). The table below illustrates the additional time necessary for these individuals and resulting in additional client service coordinator needed.
8. HB687 requires the department to verify community engagement activities and exemptions, suspend enrollment for those non-compliant after 180 days, re-enroll individuals after 30 days of compliance has been met, and increase monitoring of those re-enrolled. The department estimates this will average 30 minutes per person for these processes. As noted in assumption 3, the department estimates that 25% will be

non-compliant. The table below illustrates the additional time necessary for this process, resulting in additional client service coordinators.

| | Individuals | Additional Time Per Year | Total Hours | Hours Per Year Per PB | PB Needed |
|---------|-------------|--------------------------|-------------|-----------------------|-----------|
| FY 2026 | 837 | 0.5 | 418.5 | 1456 | 0.29 |
| FY 2027 | 1691 | 0.5 | 845.5 | 1456 | 0.58 |
| FY 2028 | 1708 | 0.5 | 854 | 1456 | 0.59 |
| FY 2029 | 1725 | 0.5 | 862.5 | 1456 | 0.59 |

9. The department assumes that implementation of these requirements will occur at redetermination for existing clients or application for new clients and that the department does not need to include additional time to do redeterminations on all impacted existing individuals in the implementation month.

| | Individuals | Number Non-Compliant (25%) | Additional Time per year | Total Hours | Hours per year per PB | PB Needed |
|--------|-------------|----------------------------|--------------------------|-------------|-----------------------|-----------|
| FY2026 | 837 | 209 | 0.5 | 105 | 1,456 | 0.07 |
| FY2027 | 1,691 | 423 | 0.5 | 211 | 1,456 | 0.15 |
| FY2028 | 1,708 | 427 | 0.5 | 213 | 1,456 | 0.15 |
| FY2029 | 1,725 | 431 | 0.5 | 216 | 1,456 | 0.15 |

10. To maintain current staffing ratios, in year one, the department would need an additional .50 FTE and year two would increase to .75 FTE client service coordinators, due to the department hiring employees based on quarters of time.
11. Additional space for the FTE client service coordinator, 285 square feet of office space at an estimate \$17.14 per square foot ($285 \times \$17.14 = \$4,885/\text{year}$).
12. Operating costs associated with the new FTE are estimated 3% of personal service costs.
13. One-time computer equipment and office furniture in FY 2026 is estimated at \$2,800.
14. Funding for the client service coordinator would be eligible for a Federal Medical Assistance Percentage (FMAP) of 25% general fund and 75% federal funds.
15. The department assumes claims processing and other Medicaid expansion administrative costs would drop in proportion to enrollment. This is due to the decrease in workload associated with the decrease in enrollment. This is calculated by taking present law administrative costs for the Health and Economic Livelihood Partnership (HELP) Act benefits and multiplying by the percentage of enrollees still eligible for services (99.4662%). This results in a decrease in administrative operating costs of \$108,871 beginning in FY 2027 ($\$20,286,866 \times 0.5338\%$). Administrative costs are eligible for either 50% or 75% FMAP. The department assumes of the reduction in administrative costs would be, \$34,935 of general fund and \$73,936 of federal funds.

Fiscal Analysis Table

Department of Public Health and Human Services

| | <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> |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Fiscal Impact | | | | |
| FTE | 0.50 | 0.75 | 0.75 | 0.75 |
| TOTAL Fiscal Impact | 0.50 | 0.75 | 0.75 | 0.75 |
| Expenditures | | | | |
| Personal Services | \$40,087 | \$60,326 | \$60,521 | \$60,131 |
| Operating Expenses | \$8,888 | (\$102,176) | (\$102,170) | (\$102,182) |
| Benefits | \$0 | (\$4,095,716) | (\$4,136,673) | (\$4,178,040) |
| TOTAL Expenditures | \$48,975 | (\$4,137,566) | (\$4,178,322) | (\$4,220,091) |
| Funding of Expenditures | | | | |
| General Fund (01) | \$12,244 | (\$397,443) | (\$401,185) | (\$405,117) |
| Federal Special Revenue (03) | \$36,731 | (\$3,740,123) | (\$3,777,137) | (\$3,814,974) |
| TOTAL Funding of Expenditures | \$48,975 | (\$4,137,566) | (\$4,178,322) | (\$4,220,091) |
| Revenues | | | | |
| Federal Special Revenue (03) | \$36,731 | (\$3,740,123) | (\$3,777,137) | (\$3,814,974) |
| TOTAL Revenues | \$36,731 | (\$3,740,123) | (\$3,777,137) | (\$3,814,974) |
| Net Impact to Fund Balance (Revenue minus Funding of Expenditures) | | | | |
| General Fund (01) | (\$12,244) | \$397,443 | \$401,185 | \$405,117 |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |

Technical Concerns

1. Because the department's previous 1115 waiver with community engagement requirements was not approved, the department's ongoing Medicaid expansion caseload budget does not reflect any implementation of community engagement requirements. Therefore, if community engagement requirements were fully implemented as per current MCA, the total fiscal impact reducing benefits would be greater than those stated in this fiscal note. However, since community engagement requirements are present law, they are not factored into the fiscal note calculations above.


 Sponsor's Initials


 Date


 Budget Director's Initials

2/27/2025
 Date