



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: HB0880.02 (001): Establish a stabilization fund for medicaid

Primary Sponsor: Mary Caferro Status: As Amended in House Committee

☐ 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 2025</u> <u>Difference</u>	<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>
<b>Expenditures</b>					
Other	\$0	\$0	\$0	\$0	\$0
Capital Projects (05)	\$6,000,000	\$0	\$0	\$0	\$0
<b>Revenues</b>					
Other	\$0	\$0	\$0	\$0	\$0
Capital Projects (05)	\$0	(\$19,400,000)	(\$9,700,000)	(\$19,400,000)	(\$9,700,000)
<b>Net Impact</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>General Fund Balance</b>	<u><u>\$0</u></u>	<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, as amended, establishes a stabilization fund if reversions in Medicaid occur for use when Medicaid appropriations are insufficient to cover claims. The movement of Medicaid reversions to the stabilization fund reduces reversions transfers from the budget stabilization reserve fund to the capitol development fund. It does not increase expenditures. The 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.

#### Office of Budget and Program Planning

1. Currently, general fund reversions above 0.5% of all general fund appropriations for a fiscal year are transferred to the budget stabilization reserve account (BSR) per 17-7-130(3), MCA.
2. HB 880, as amended, instructs that at least 50%, and up to 100%, of the Medicaid reversion amount must be deposited into the Medicaid stabilization reserve account. If the BSR is under its statutory cap, then 50% of the Medicaid reversion is transferred to the BSR and 50% is transferred to the Medicaid stabilization reserve. If the BSR is capped, then 100% of the Medicaid reversion is transferred to the Medicaid stabilization reserve.

3. Directing a portion of the Medicaid reversion amount to the Medicaid stabilization reserve account will reduce excess reversions transferred 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 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. So, the amount (portion) of the Medicaid reversion transferred to the Medicaid stabilization reserve account will be \$19.4 million (100%) in FY 2026 and FY 2028 and \$9.7 million (50%) in FY 2027 and FY 2029.
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 in FY 2026 and FY 2018 and by \$9.7 million in FY 2027 and FY 2029, while at the same time reducing the general fund transfer to the BSR account by these same amounts. The net impact to the general fund is zero.
13. Because general fund transfers of excess reversions flow through the BSR account to the capital development account when the BSR reaches its cap, 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, \$9.7 million in FY 2027, \$19.4 million in FY 2028, and \$9.7 million in FY 2029.
14. If the balance of the Medicaid stabilization reserve account is greater than 1.5% of general revenue appropriations, then the account will not receive a general fund transfer of the Medicaid reversion; instead, the transfer will be directed to the capital development account. The Medicaid stabilization reserve account is not projected to reach the threshold of 1.5% of general revenue appropriation until after the FY 2029 transfer-in of the Medicaid reversion amount.
15. Section 5 requires a transfer of \$6 million from the capital development account to the Medicaid stabilization reserve account by June 30, 2025.

#### Fiscal Analysis Table

		<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>	<u>FY 2028</u>	<u>FY 2029</u>
		<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<b><u>Fiscal Impact</u></b>						
<b><u>Expenditures</u></b>						
Transfers		\$0	\$0	\$0	\$0	\$0
Medicaid	stabilization	\$0	\$19,400,000	\$9,700,000	\$19,400,000	\$9,700,000
reserve						
Budget	stabilization	\$0	(\$19,400,000)	(\$9,700,000)	(\$19,400,000)	(\$9,700,000)
reserve						
Capital development		\$6,000,000	\$0	\$0	\$0	\$0

**Fiscal Note Request - As Amended in House Committee**

(continued)

<b>TOTAL Expenditures</b>	<b>\$6,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Funding of Expenditures</b>					
Other	\$0	\$0	\$0	\$0	\$0
Capital Projects (05)	\$6,000,000	\$0	\$0	\$0	\$0
<b>TOTAL Funding of Expenditures</b>	<b>\$6,000,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Revenues</b>					
Other	\$0	\$0	\$0	\$0	\$0
Capital Projects (05)	\$0	(\$19,400,000)	(\$9,700,000)	(\$19,400,000)	(\$9,700,000)
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>(\$19,400,000)</b>	<b>(\$9,700,000)</b>	<b>(\$19,400,000)</b>	<b>(\$9,700,000)</b>
<b>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</b>					
Other	\$0	\$0	\$0	\$0	\$0
Capital Projects (05)	(\$6,000,000)	(\$19,400,000)	(\$9,700,000)	(\$19,400,000)	(\$9,700,000)

**Technical Concerns**

**Department of Public Health and Human Services**

- SB 880 appropriates \$50,000 of general fund for Medicaid matching funds. It is unclear what this appropriation is to be used for.

**NOT SIGNED BY SPONSOR**

\_\_\_\_\_  
Sponsor's Initials

\_\_\_\_\_  
Date



\_\_\_\_\_  
Budget Director's Initials

4/5/2025

\_\_\_\_\_  
Date