



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0334.01: Providing medicaid expansion to able-bodied adults who comply with community engagement requirements**

Primary Sponsor: Matt Regier

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)	\$25,624,301	\$163,960,087	\$165,278,564	\$166,610,341
Federal Special Revenue (03)	(\$46,904,046)	(\$533,711,368)	(\$537,493,915)	(\$541,289,684)
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	(\$46,904,046)	(\$533,711,368)	(\$537,493,915)	(\$541,289,684)
Net Impact	<u>(\$25,624,301)</u>	<u>(\$163,960,087)</u>	<u>(\$165,278,564)</u>	<u>(\$166,610,341)</u>
General Fund Balance				

Description of fiscal impact

SB 334 requires the Department of Public Health and Human Services to submit a federal waiver by December 2025 for the Medicaid expansion with a voidness provision if the waiver is not approved by May 2026. There is a general fund impact by moving individuals from Medicaid expansion to traditional Medicaid as well as losing enhanced Federal Medical Assistance Percentage (FMAP) for the remaining Medicaid expansion population based on lowering the eligibility threshold for Medicaid expansion down to 100% of the federal poverty level. In the event that the medical FMAP is below the established levels, SB 334 would require the Secretary of State to poll the Legislature to determine if the Legislature may be convened in a special session. SB 334 provides an effective date of July 1, 2025, and a termination date of June 30, 2029 and also provides a contingent voidness if termination dates in sections amended are not extended.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (department)

- Section 1 (1) allows the department to only cover an individual under Medicaid expansion if they are not otherwise eligible for Medicaid under Title 56 part 6 chapter 1. Programs under Title 56 part 6 chapter 1 are generally referred to as "traditional Medicaid". Currently, the department strategically covers some individuals under Medicaid expansion who are also eligible under traditional Medicaid due to the higher FMAP received under the expansion program (90%). The department would be required to move 6,934 individuals eligible for traditional Medicaid that are currently covered under Medicaid expansion to traditional Medicaid. While total costs of the program do not increase, this will increase state share of benefits for these individuals at the lower standard FMAP for traditional Medicaid of 61.61% in FY 2026

and 61.47% in FY 2027. The department assumes these individuals would be moved to traditional Medicaid as of May 2026.

Table 1 - Displays the shift in state funding:

Eligibility Category	Total Projected Funds		State Share with Expansion		State Share with Trad Med	
	FY 2026 - 2 months	FY 2027	FY 2026 - 2 months	FY 2027	FY 2026 - 2 months	FY 2027
Medically Needy	\$3,976,977	\$23,861,864	\$353,752	\$2,122,513	\$1,358,054	\$8,178,042
Expansion Family	\$2,858,672	\$17,152,034	\$254,279	\$1,525,673	\$976,177	\$5,878,420
SDMI (HIFA Waiver)	\$4,241,668	\$25,450,006	\$377,296	\$2,263,778	\$1,448,441	\$8,722,337
Pregnant	\$4,699,855	\$28,199,132	\$418,052	\$2,508,313	\$1,604,902	\$9,664,529
Estimated Total	\$15,777,173	\$94,663,036	\$1,403,380	\$8,420,277	\$5,387,574	\$32,443,328

- The department assumes submission of the federal waiver required in Section 1 by December 2025, with approval effective May 1, 2026. A similar waiver to cover individuals up to 100% FPL with community engagement requirements is currently in effect in the state of Georgia.
- Section 3 reduces eligibility of Medicaid expansion from the current limit of 138% FPL to 100% FPL. There are 11,071 individuals currently on Medicaid expansion with FPL above 100%. The department assumes that 377 of these individuals will be moved to traditional Medicaid under assumption 1, resulting in the remaining 10,694 losing Medicaid coverage. This would put the Medicaid expansion enrollment at 59,706 in May 2026.

Table 2: Displays enrollment projections:

Date	HELP SB334 Projected Medicaid Expansion Enrollment	Notes/Assumptions
11/1/2024	76,188	Most currently published enrollment
12/1/2024	76,251	Assume 1% annual growth
1/1/2025	76,315	
2/1/2025	76,378	
3/1/2025	76,441	
4/1/2025	76,505	
5/1/2025	76,568	
6/1/2025	76,632	
7/1/2025	76,695	
8/1/2025	76,759	
9/1/2025	76,823	
10/1/2025	76,886	
11/1/2025	76,950	
12/1/2025	77,014	
1/1/2026	77,078	
2/1/2026	77,142	
3/1/2026	77,206	
4/1/2026	77,270	
5/1/2026	59,706	6,934 move to traditional Medicaid + 10,694 above 100% FPL lose coverage
6/1/2026	59,756	Assume 1% annual growth
7/1/2026	59,805	
8/1/2026	59,855	
9/1/2026	59,905	
10/1/2026	59,955	
11/1/2026	60,004	
12/1/2026	60,054	
1/1/2027	60,104	
2/1/2027	60,154	
3/1/2027	60,204	
4/1/2027	60,254	
5/1/2027	60,304	
6/1/2027	60,354	

4. For those remaining on Medicaid expansion effective May 2026, the department assumes benefits will be paid at the standard Medicaid FMAP of 61.47%. There is no precedent by CMS to approve enhanced FMAP for any Medicaid expansion program that does not include eligible individuals up to 138% FPL. For purposes of this fiscal note, the department therefore, does not assume that a waiver of this nature will be approved.
5. Similarly, the department assumes it would only be allowed to use standard FMAP when calculating hospital supplemental payments, resulting in a decrease in supplemental payments to hospitals due to a loss in federal revenue beginning in FY 2027. These supplemental payments include Graduate Medical Education (GME), outpatient hospital reimbursement, inpatient hospital reimbursement, and intergovernmental transfer (IGT) ambulance supplemental payments.

Table 3: Displays change in benefits and supplement payments based on assumptions #1-5:

Medicaid Expansion Benefits	FY 2026 (2 months)	FY 2027	FY 2028	FY 2029
Present Law Expenditures				
Benefits	\$ 116,857,383	\$ 754,030,750	\$ 761,571,057	\$ 769,186,768
Supplemental Payments	\$ 375,437,928	\$ 375,437,928	\$ 375,437,928	\$ 375,437,928
Total Expenditures	\$ 492,295,311	\$ 1,129,468,678	\$ 1,137,008,986	\$ 1,144,624,697
SB 334 Expenditures				
Benefits	\$ 96,294,657	\$ 612,488,060	\$ 617,666,310	\$ 622,896,343
Supplemental Payments	\$ 375,437,928	\$ 150,061,066	\$ 149,977,058	\$ 149,916,569
Total Expenditures	\$ 471,732,585	\$ 762,549,126	\$ 767,643,368	\$ 772,812,912
Fiscal Impact of SB 334				
Benefits	\$ (20,562,726)	\$ (141,542,690)	\$ (143,904,747)	\$ (146,290,425)
Supplemental Payments	\$ -	\$ (225,376,862)	\$ (225,460,871)	\$ (225,521,360)
Total Expenditures	\$ (20,562,726)	\$ (366,919,552)	\$ (369,365,618)	\$ (371,811,785)
Funding of Fiscal Impact				
General Fund	\$ 25,903,911	\$ 164,868,755	\$ 166,193,009	\$ 167,530,506
Federal Fund	\$ (46,466,637)	\$ (531,788,307)	\$ (535,558,627)	\$ (539,342,291)
Total Funding	\$ (20,562,726)	\$ (366,919,552)	\$ (369,365,618)	\$ (371,811,785)

6. One-time only costs for modifications to the integrated eligibility system (CHIMES) would be \$27,500 (\$125/hour for 220 hours).
7. Changes to the Medicaid Management Information System (MMIS) and ancillary systems including data and reporting to reflect necessary changes would be \$14,300 (\$110/hour avg. rate for 130 hours).
8. 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 Health and Economic Livelihood Partnership (HELP) and multiplying by the % of enrollees still eligible for services (both remaining Medicaid expansion enrollees and those who transitioned to traditional Medicaid in assumption #1).

Table 4: Displays assumptions #6-8:

Medicaid Expansion Administration	FY 2026 (2 months)	FY 2027	FY 2028	FY 2029
Claims Processing	\$ (315,596)	\$ (2,028,786)	\$ (2,041,685)	\$ (2,054,456)
Eligibility	\$ 27,500			
Other Administration	\$ (428,923)	\$ (802,943)	\$ (808,048)	\$ (813,102)
Total Expenditures	\$ (717,019)	\$ (2,831,729)	\$ (2,849,733)	\$ (2,867,559)
Funding of Fiscal Impact - Medicaid Administration				
General Fund	\$ (279,610)	\$ (908,668)	\$ (914,445)	\$ (920,165)
Federal Fund	\$ (437,409)	\$ (1,923,061)	\$ (1,935,288)	\$ (1,947,394)
Total Funding	\$ (717,019)	\$ (2,831,729)	\$ (2,849,733)	\$ (2,867,559)

Secretary of State's Office (SOS)

9. In the event that the medical FMAP is below the established levels, SB 334 would require the Secretary of State to poll the Legislature to determine if the Legislature may be convened in a special session.
10. Polling the Legislature will have a minimal fiscal impact and SOS will absorb the costs associated within its existing operating budget.

Legislative Services Division (LSD)

11. If a federal waiver is rejected by CMS, SB 334 requires LSD to submit a report to the Legislature and appropriate interim budget committee (IBC) within 60-days of the rejection.
12. Submitting the report will have a minimal fiscal impact and LSD will absorb the costs associated within its existing operating budget.
13. SB 334 amends 39-12-103, MCA, and multiple sections of Title 53, chapter 6, MCA, but does not introduce any new requirements to the Legislative Branch.

Department of Revenue (DOR)

14. If Medicaid expansion is extended, this bill may reduce the number of taxpayers subject to the integrity fees. However, the impact of this change would not be dependent on the changes made by this bill.

Department of Labor and Industry (DLI)

15. SB 334 changes eligibility requirements for coverage of health care services under the HELP Act. This bill will have no fiscal impact to DLI.

Fiscal Analysis Table

Department of Public Health and Human Services				
	<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>				
Operating Expenses	(\$717,019)	(\$2,831,729)	(\$2,849,733)	(\$2,867,558)
Benefits	(\$20,562,726)	(\$366,919,552)	(\$369,365,618)	(\$371,811,785)
TOTAL Expenditures	(\$21,279,745)	(\$369,751,281)	(\$372,215,351)	(\$374,679,343)
<u>Funding of Expenditures</u>				
General Fund (01)	\$25,624,301	\$163,960,087	\$165,278,564	\$166,610,341
Federal Special Revenue (03)	(\$46,904,046)	(\$533,711,368)	(\$537,493,915)	(\$541,289,684)
TOTAL Funding of Expenditures	(\$21,279,745)	(\$369,751,281)	(\$372,215,351)	(\$374,679,343)
<u>Revenues</u>				
Federal Special Revenue (03)	(\$46,904,046)	(\$533,711,368)	(\$537,493,915)	(\$541,289,684)
TOTAL Revenues	(\$46,904,046)	(\$533,711,368)	(\$537,493,915)	(\$541,289,684)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u>				
General Fund (01)	(\$25,624,301)	(\$163,960,087)	(\$165,278,564)	(\$166,610,341)
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

Technical Concerns**Department of Public Health and Human Services (department)**

1. Section 1(4) gives the department discretion to include additional or conditional measures to further increase program integrity, limit spending, and promote self-sufficiency, including but not limited to biannual redeterminations, a suspension of the use of prepopulated forms and automatic renewal of eligibility based on available information, and a lifetime benefit limit for able-bodied adults, but does not require the department to do so. Due to the high number of scenarios Section 1(4) could produce and the significant variance of fiscal impact for each, the department has not included such assumptions in this fiscal note.

2. Section 5 requires a standard process for exemptions for community engagement requirements including an appeals process. ARMs 37.5.103 covers the grievance process for public assistance adverse actions, including Medicaid. ARMs 37.84.101-37.84.123 outline community engagement requirements processes, including the exemptions to community engagement requirements.
3. The requirements of this bill will impact staff processing timelines. If participants must first be evaluated for traditional Medicaid (Section 1 (b)), application processing times will increase. Non-compliance with community engagement activities will likely disenroll some participants, resulting in decreased timelines. Section 5 (7) requires a standardized process for exemption requests, including an appeal process, adding to staff time. However, due to the requirements in Section 7, the department believes these activities result in break-even staff time.
4. 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. Based on a May 2026 implementation of these requirements, enrollment would decline beginning in November 2026 resulting in an estimated annual reduction in benefits of \$23,693,130 total funds, of which \$9,128,963 would be general funds based on the standard FMAP of 61.47%.

Legislative Services Division (LSD)

5. If a waiver is rejected, SB 334 requires the LSD submit a report to the Legislature and appropriate interim budget committee (IBC) within 60-days of the rejection. It is not specified how the LSD shall notify the Legislature, nor which Legislature (69th, 70th, etc).

NO SPONSOR SIGNATURE

Sponsor's Initials_____
Date

2/25

Budget Director's Initials_____
Date