GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title:	**HB0230: Generally revise medicaid laws**		
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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$5,791,282	$11,111,514	$11,393,681	$11,642,188
State Special Revenue (02)	($91,573)	($57,876)	($57,628)	($58,124)
Federal Special Revenue (03)	$6,944,906	$14,097,773	$14,036,673	$14,013,236
Revenues				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	($144,851)	($144,851)	($144,851)	($144,851)
Federal Special Revenue (03)	$6,944,906	$14,097,773	$14,036,673	$14,013,236
Net Impact General Fund Balance	($5,791,282)	($11,111,514)	($11,393,681)	($11,642,188)

Description of fiscal impact

HB 230 repeals the termination date of the Health and Economic Livelihood Partnership (HELP) Act and requires the Department of Public Health and Human Services (DPHHS/ department) to expand services and reinstate the 12-month continuous eligibility for adults covered under the Medicaid parents and caretaker relatives and Medicaid expansion programs. This change will result in increased enrollment in these programs. DPHHS will need additional staff to manage the increased health services workload related to applying for and managing a new 1115 demonstration waiver. Additionally, HB 230 requires improved customer service through opening additional Offices of Public Assistance and streamlined correspondence through mobile technology and translation. As the budget for the HELP Act is included in the base budget calculation, there is no additional fiscal impact to Department of Corrections or the Department of Labor and Industry.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (DPHHS/department)

Health Resources Division (HRD) - Medicaid Benefits

Section - 1

1. The department assumes that the implementation of continuous eligibility for parents and caretaker relatives enrolled in Medicaid and adults enrolled in Medicaid expansion will require an 1115 waiver through the Centers for Medicare and Medicaid Services (CMS). To meet federal and state public notice requirements

and timelines, the department will submit the waiver to be approved by September 30, 2025, so that implementation can take effect on January 1, 2026.

2. The 1115 waiver is a five year, multistep approval process from CMS. Based off past workload to implement and monitor current waivers, the department estimates an additional 0.50 FTE for a program assistant is needed for completing quarterly reporting and close out requirements. It is estimated that the position will cost $38,032 in the first year, of which $35,614 is personal services, ongoing operating costs associated are 3% of personal services, and one time office set up costs of $1,450. These costs are Medicaid administrative services that receive Federal Medical Assistance Percentage (FMAP) of 50% general fund and 50% federal funds for personal services.
3. The department estimates contract costs of $205,000 for the CMS required independent evaluations of the 1115 waiver. Contact costs receive FMAP of 50% for general fund and 50% federal funds.
4. The fiscal impact calculations assume a January 1, 2026, 1115 waiver effective date. The annual increase in benefit costs are prorated at 50% for FY 2026 to reflect implementation date.
5. Average monthly enrollments for FY 2026 thru FY 2029 are based on enrollment projections as of December 2024.
6. In FY 2014, CMS estimated that continuous enrollment policies increase coverage continuity by 2.6% for a 12 month period. The department assumes that adding 12 months continuous eligibility coverage for parents and caretaker relatives, and Medicaid expansion populations, will have an equivalent increase in coverage of 2.6%. Benefits are calculated using the average monthly enrollment projection * 2.6% enrollment increase * # of months * average cost per month. See Table 1 below for full calculations:

Table 1: Estimated Annual Changes to Enrollment and Medicaid Expenses

SFY 2026 - 6 Months	Average Monthly Enrollment	2.6% Enrollment Increase	2.6% Increase Months of Coverage	Average Cost Per Month	Annual Benefit Change	General Fund	Federal Funds
Parents and Caretaker Relatives	17,915	466	2,794	618.29	$1,727,800	$663,302	$1,064,498
Medicaid Expansion	78,400	2,038	12,230	744.65	$9,107,070	$910,707	$8,196,363
			15,024		$10,834,869	$1,574,009	$9,260,860
SFY 2027 - 12 Months	**Average Monthly Enrollment**	**2.6% Enrollment Increase**	**2.6% Increase Months of Coverage**	**Average Cost Per Month**	**Annual Benefit Change**	**General Fund**	**Federal Funds**
Parents and Caretaker Relatives	18,016	468	5,621	641.68	$3,607,100	$1,389,816	$2,217,284
Medicaid Expansion	79,185	2,059	24,706	793.54	$19,605,199	$1,960,520	$17,644,679
			30,327		$23,212,299	$3,350,335	$19,861,964
SFY 2028 - 12 Months	**Average Monthly Enrollment**	**2.6% Enrollment Increase**	**2.6% Increase Months of Coverage**	**Average Cost Per Month**	**Annual Benefit Change**	**General Fund**	**Federal Funds**
Parents and Caretaker Relatives	18,118	471	5,653	641.68	$3,627,309	$1,397,602	$2,229,707
Medicaid Expansion	79,977	2,079	24,953	793.54	$19,801,204	$1,980,120	$17,821,083
			30,606		$23,428,512	$3,377,722	$20,050,790
SFY 2029 - 12 Months	**Average Monthly Enrollment**	**2.6% Enrollment Increase**	**2.6% Increase Months of Coverage**	**Average Cost Per Month**	**Annual Benefit Change**	**General Fund**	**Federal Funds**
Parents and Caretaker Relatives	18,299	476	5,710	641.68	$3,663,761	$1,411,647	$2,252,114
Medicaid Expansion	80,777	2,100	25,203	793.54	$19,999,414	$1,999,941	$17,999,473
			30,912		$23,663,175	$3,411,589	$20,251,587

7. Adding continuous eligibility policies for adults covered under Medicaid expansion will require a transfer of expenditures from Medicaid expansion FMAP (10% state share, 90% federal) to standard FMAP (FY 2026 - 38.39% state share, 61.61% federal, FY 2027-2030 - 38.53% state share, 61.47% federal). See Table 2 below for full calculations:

Table 2: Continuous Eligibility Charge Estimates

	SFY 2026	SFY 2027	SFY 2028	SFY 2029	SFY 2030
Projected Medicaid Expansion Expenditures	452,601,677	937,914,458	972,035,779	986,616,316	1,001,415,560
2.6% of Expenditures	11,767,644	24,385,776	25,272,930	25,652,024	26,036,805
Standard Medicaid FMAP - State Share	38.39%	38.53%	38.53%	38.53%	38.53%
Medicaid Expansion FMAP - State Share	10.00%	10.00%	10.00%	10.00%	10.00%
FMAP Difference	28.39%	28.53%	28.53%	28.53%	28.53%
General Fund	3,340,834	6,957,262	7,210,367	7,318,523	7,428,300
Federal Fund	(3,340,834)	(6,957,262)	(7,210,367)	(7,318,523)	(7,428,300)
Total	-	-	-	-	-
* SFY 2026 is only 6 Months due to assumed effective date of January 1, 2026				1.5% Inflation	1.5% Inflation

Section - 3

8. The department shall provide staff support to the client advisory board established in Section 3. For purposes of this fiscal note, the department will absorb the estimated $13,362 in annual personal services costs.
9. Unless covered by a separate section of statute, all elected officials, appointed members of boards, commissions, or councils, department directors, and all other state employees are subject to the regulations contained in Title 2, Chapter 18, Part 5, Montana Code Annotated (MCA).
10. The client advisory board shall meet quarterly. It is estimated that the board will meet in person twice per year, in Helena at a DPHHS facility to conduct business. For purposes of this fiscal note, the department has assumed that six of the seven board members will be from outside of Helena and will have covered expenses for hotel costs, meal per diems, and mileage reimbursement. The department assumes that each of these two in person meetings will be two days in length.
11. The eligible committee expenses for the two in person days is estimated to be $5,736.60 which includes $3,168 is hotel expense, $841 is meal per diem expenses and $1,727.60 is reimbursed mileage at current federal rates of $.70/mile. These costs are Medicaid administrative services that receive FMAP of 50% general fund and 50% federal funds for personal services.
12. Section 13 repeals the Taxpayer Integrity Fee (TIF). This change would result in a decrease of $144,851 in state special revenue funds and an increase of $144,851 in general fund expenses to pay the state portion of expansion benefits starting in FY 2026.

Human and Community Services Division (HCSD) - Medicaid Eligibility

13. The department assumes 1.00 FTE for a program manager is needed to manage the impacts to the department by the required completion date of June 30, 2026. Personal services of this FTE is $9,922 in FY 2026 and $99,454 in FY 2027. One time office set up costs in FY 2026 would be $2,800, and ongoing operating costs associated are 3% of personal services.
14. The cost of a lease for this FTE's office space is estimated to be $5,142 per year. This is based on 300 square feet per employee x $17.14/square foot.
15. Funding for this FTE would be and FMAP of 31.70% general fund, 4.49% state special revenue and 63.81% federal funds.

Section - 1

16. A reinstatement of 12 months continuous eligibility for parents, caretaker relatives, and the Medicaid expansion population would result in a cost savings for the department. This change will result in a significant decrease in caseload churn for both Medicaid and Children's Health Insurance Program (CHIP). For this analysis, churn is defined as an individual exiting a program and reentering the program within six months. The expected churn for this population is 11%. This would result in a decrease of 3,727 applications a year. Each application is estimated to take 45 minutes to work.
17. This work would result in a decrease of 2.00 FTE client service coordinators which would save $160,349 in FY 2026 and $160,869 in FY 2027 and the operating costs associated.
18. Churn was estimated at 11% based on an Issue Brief "An Updated Look at Rates of Churn and Continuous Coverage in Medicaid and CHIP" October 2021. https://www.macpac.gov/wp-content/uploads/2021/10/An-Updated-Look-at-Rates-of-Churn-and-Continuous-Coverage-in-Medicaid-and-CHIP.pdf.
19. The cost reduction of the lease for 2 office spaces is estimated to be $10,284. This is based on 300 square feet per employee x $17.14/square foot.
20. All funding for the reduction of 2.00 FTE client service coordinators would be 25.00% general fund and 75.00% federal funds.

Section - 2

21. HCSD has a hotline with a callback option in place. The callback line currently has a capacity of 150 callback slots. To accomplish a callback option for each caller, HCSD needs to add an additional 300 callback slots or a cost of $135,000 ($450 x 300 additional callback slots).
22. HCSD estimates an annual cost of $13,200 to produce hotline call statistics at the county level (5 hours per month x $220/hotline contractor cost per hour).
23. HCSD does not currently have the systematic ability to text or email due dates to clients. A one-time-only (OTO) cost to add this feature to the Combined Healthcare Information and Montana Eligibility System (CHIMES) eligibility system would be $62,500 (500 hours x $125/system contractor cost per hour). There is a maintenance fee cost of $50/month or $600/year.
24. There are approximately 70 application and related forms that can be sent to clients. These forms would need to be translated into five of the most commonly spoken languages. The cost to translate is $1,010 per form for a total of $353,500 (70 forms * 5 languages * $1,010). See Technical Note #7related to tribal languages.

Section - 5

25. This bill requires HCSD to open/reopen 10 Offices of Public Assistance. Offices of Public Assistance provide eligibility services for healthcare (Medicaid/CHIP), Supplemental Nutrition Assistance Program, and Temporary Assistance for Needy Families. The necessary client service coordinators required is based on the conditions set forth in Section 5(2)(b). Necessary client service coordinators (CSC) will be re-allocated from existing physical locations through attrition across the department. HCSD would also need one new client service supervisor (CSS) and one client service technician (CST) at each new location. These CSS are expected to be promoted from current CSC positions. A total of 30.00 FTE are required.
26. A minimum six month training period is required before new staff can process cases. To staff 10 physical locations by June 30, 2026, the new FTEs would start employment on January 1, 2026. Personal services of the 20.00 FTE total $780,351 in FY 2026 and $1,565,731 in FY 2027. One time office space set up costs in FY 2026 would be $56,000 (20 * $2,800), and ongoing operating costs associated are 3% of personal services.
27. The cost of a lease for 10 additional physical locations is estimated to be $100,668 per location per year. This is based on average existing leases for the ten smallest existing physical locations. The total lease expenses are estimated to be $1,006,680 per year.
28. The cost to add a new physical location to the state network is $9,600 per year per office. For 10 additional offices, the cost is $96,000 per year.
29. There is a hotline licensing cost of $83.84/month per employee. With the addition of 20 employees, this would increase the cost by $20,122 each year.
30. Funding for the 20.00 FTE and the lease expense would be 31.7% general fund, 4.49% state special revenue and 63.81% federal funds.

Sections - 6, 7,8, 9, 10 and 12

31. The department does not anticipate any fiscal impacts from Section 6, 7, 8, 9, 10, and 12 as the amendments to existing MCA align with current operation of the Medicaid expansion program.

Fiscal Analysis Table

Department of Public Health and Human Services	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	18.50	18.50	18.50	18.50
TOTAL Fiscal Impact	**18.50**	**18.50**	**18.50**	**18.50**
Expenditures				
Personal Services	$754,738	$1,539,930	$1,544,883	$1,535,088
Operating Expenses	$1,055,008	$399,182	$399,331	$399,037
Benefits	$10,834,869	$23,212,299	$23,428,512	$23,663,175
TOTAL Expenditures	**$12,644,615**	**$25,151,411**	**$25,372,726**	**$25,597,300**
Funding of Expenditures				
General Fund (01)	$5,791,282	$11,111,514	$11,393,681	$11,642,188
State Special Revenue (02)	($91,573)	($57,876)	($57,628)	($58,124)
Federal Special Revenue (03)	$6,944,906	$14,097,773	$14,036,673	$14,013,236
TOTAL Funding of Expenditures	**$12,644,615**	**$25,151,411**	**$25,372,726**	**$25,597,300**
Revenues				
State Special Revenue (02)	($144,851)	($144,851)	($144,851)	($144,851)
Federal Special Revenue (03)	$6,944,906	$14,097,773	$14,036,673	$14,013,236
TOTAL Revenues	**$6,800,055**	**$13,952,922**	**$13,891,822**	**$13,868,385**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($5,791,282)	($11,111,514)	($11,393,681)	($11,642,188)
State Special Revenue (02)	($53,278)	($86,975)	($87,223)	($86,727)
Federal Special Revenue (03)	$0	$0	$0	$0

Technical Concerns

Department of Public Health and Human Services (department)

1. New Section 1 (2)(b) requires a waiver amendment under the Health and Economic Livelihood Partnership (HELP) waiver but Montana no longer has this waiver as it expired December 31, 2023. Medicaid expansion authority is covered under the Alternate Benefit Plan/State Plan.
2. The department assumes client-facing technology provided to employees after the effective date of the bill is optimal. A definition of optimal was not provided in Section 2 of the bill.
3. Section 5 is not clear if the department assumes opening 10 Offices of Public Assistance. After analysis required in Section 5, if opening additional offices would be an additional cost to the department.
4. The department uses interfaces to receive external data to evaluate cases for auto renewal according to 42 2 CFR 435-.916(b)(1). The department cannot guarantee ex parte renewals completed according to 42 2 CFR 435.916(b)(1) will meet the proposed 60% threshold.
5. The bill directs the department to pursue waiver approval for the extended coverage period. As of this date, CMS guidelines do not indicate that 1115 waivers for continuous eligibility require a demonstration of cost savings.
6. There is not sufficient data to support an analysis of potential cost avoidance associated with the proposed legislation in HB 230.
7. The department is unable to estimate the cost to translate documents into American Indian languages.
8. New Section 1 (2)(b) requires a waiver amendment under the HELP waiver, however, this waiver expired December 31, 2022. Medicaid expansion is currently covered only under the authority of the Alternate Benefit Plan/State Plan.

9. HB 230 is silent with respect to implementation of the bill if the department is not able to secure approvals from the U.S. Centers for Medicare & Medicaid Services (CMS).

NOT SIGNED BY SPONSOR

	1/27/25		1/23/2025
Sponsor's Initials	Date	Budget Director's Initials	Date