



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0386.02 (001): Revising laws related to continuous medicaid eligibility

Primary Sponsor: SJ Howell 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 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$4,982,176 | \$10,271,587 | \$10,551,970 | \$10,694,269 |
| Federal Special Revenue (03) | \$5,878,991 | \$12,759,991 | \$12,695,268 | \$12,788,854 |
| Revenues | | | | |
| General Fund (01) | (\$54,184) | (\$54,351) | (\$54,518) | (\$54,184) |
| Federal Special Revenue (03) | \$5,878,991 | \$12,759,991 | \$12,695,268 | \$12,788,854 |
| Net Impact | <u>(\$5,036,360)</u> | <u>(\$10,325,938)</u> | <u>(\$10,606,488)</u> | <u>(\$10,748,453)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 386 requires the Department of Public Health and Human Services to reinstate the 12 month continuous eligibility for adults covered by the Medicaid parents and caretaker relatives and Medicaid expansion programs.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (department)

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 specialist 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, \$1,068 is operating costs associated with the FTE of 3% of personal services, and \$1,350 is one time office equipment set up. 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. Contract 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 funds) to standard FMAP (FY 2026 38.39% state share, 61.61% federal funds, FY 2027 - FY 2030 38.53% state share, 61.47% federal funds). Table 2 below has these complete 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 |

8. 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 decrease in caseload churn for both Medicaid and Children's Health Insurance Plan (CHIP). For this analysis churn is defined as an individual exiting a program and re-entering the program within twelve 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.

9. This work would result in a decrease of 2.5 FTE client service coordinators which would save \$200,437 in FY 2026 and \$201,086 in FY 2027, and operating costs associated with the FTE of 3% of personal services.
10. 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>.
11. 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.
12. Funding for the 2.5 FTE client service coordinators would be 25% general fund and 75% federal funds.

Fiscal Analysis Table**Department of Public Health and Human Services**

| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
|--|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| <u>Fiscal Impact</u> | | | | |
| FTE | -2.00 | -2.00 | -2.00 | -2.00 |
| TOTAL Fiscal Impact | -2.00 | -2.00 | -2.00 | -2.00 |
| <u>Expenditures</u> | | | | |
| Personal Services | (\$164,823) | (\$165,472) | (\$166,010) | (\$164,823) |
| Operating Expenses | \$191,121 | (\$15,249) | (\$15,264) | (\$15,229) |
| Benefits | \$10,834,869 | \$23,212,299 | \$23,428,512 | \$23,663,175 |
| TOTAL Expenditures | \$10,861,167 | \$23,031,578 | \$23,247,238 | \$23,483,123 |
| <u>Funding of Expenditures</u> | | | | |
| General Fund (01) | \$4,982,176 | \$10,271,587 | \$10,551,970 | \$10,694,269 |
| Federal Special Revenue (03) | \$5,878,991 | \$12,759,991 | \$12,695,268 | \$12,788,854 |
| TOTAL Funding of Expenditures | \$10,861,167 | \$23,031,578 | \$23,247,238 | \$23,483,123 |
| <u>Revenues</u> | | | | |
| General Fund (01) | (\$54,184) | (\$54,351) | (\$54,518) | (\$54,184) |
| Federal Special Revenue (03) | \$5,878,991 | \$12,759,991 | \$12,695,268 | \$12,788,854 |
| TOTAL Revenues | \$5,824,807 | \$12,705,640 | \$12,640,750 | \$12,734,670 |
| <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures)</u> | | | | |
| General Fund (01) | (\$5,036,360) | (\$10,325,938) | (\$10,606,488) | (\$10,748,453) |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |

Technical Concerns

1. The bill directs the department to pursue waiver approval for the extended coverage period. As of this date, CMS guidelines do not require a demonstration of cost savings with the 1115 waiver.
2. There is not sufficient data to support an analysis of potential cost avoidance associated with this bill.


Sponsor's Initials

2/25/25
Date


Budget Director's Initials

2/24/2025
Date