



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2027 Biennium

Bill#/Title: **SB0199: Revise the Medicaid expansion program**

Primary Sponsor: **Jeremy Trebas**

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**

	<b><u>FY 2026</u></b> <b><u>Difference</u></b>	<b><u>FY 2027</u></b> <b><u>Difference</u></b>	<b><u>FY 2028</u></b> <b><u>Difference</u></b>	<b><u>FY 2029</u></b> <b><u>Difference</u></b>
<b>Expenditures</b>				
General Fund (01)	\$398,734	(\$4,993,988)	(\$5,034,495)	(\$5,091,566)
State Special Revenue (02)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>Revenues</b>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,685,000	\$1,685,000	\$1,685,000	\$1,685,000
Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>Net Impact</b>	<u>(\$398,734)</u>	<u>\$4,993,988</u>	<u>\$5,034,495</u>	<u>\$5,091,566</u>
<b>General Fund Balance</b>				

### **Description of fiscal impact**

SB 199 requires the Department of Public Health and Humans Services to implement a community engagement requirement for participants of the Medicaid Expansion program with a change in those exempts from such requirements. This change will result in an increase in administration of the program, decreased enrollment in Medicaid Expansion program, and a small shift of participants to traditional Medicaid. SB 199 amends provisions of the Health and Economic Livelihood Partnership (HELP) Act related to taxpayer integrity fees and work requirements.

### **FISCAL ANALYSIS**

#### **Assumptions**

#### **Department of Public Health and Human Services (department)**

1. The department is able to use existing administrative data to determine whether participants would meet the community engagement requirement or be exempt from the community engagement requirements. Using currently available data, the department assumes that 46.2% of participants would have been exempt under current law but would no longer be exempt and would be required to participate in and report on community engagement activities to remain eligible for health care services.

#### **Human and Community Services Division (HCSD)**

#### **2. Eligibility Activities**

- a. SB 199 removes three community engagement exemptions from 53-6-1308, MCA: participating in or exempt from the work requirements of the temporary assistance for needy families program or the

supplemental nutrition assistance program (6,276 individuals), experiencing chronic homelessness (2,132 individuals), or living in an area with high poverty designation (27,431 individuals). Individuals in these categories were calculated based on August 2024 enrollment information. A total of 35,839 individuals or 46.2% of total enrollees were identified. High poverty designation was defined as a county with a higher poverty rate than the national average. Individuals who would previously be exempt (46.2% \* projected enrollment each year) 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. 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 coordinators.

	Individuals	Additional Time Per Year	Total Hours	Hours Per Year Per PB	PB Needed
FY 2026	36251	0.5	18125	1456	12.45
FY 2027	36583	0.5	18292	1456	12.56
FY 2028	36949	0.5	18475	1456	12.69
FY 2029	37319	0.5	18659	1456	12.82

b. Section 2 requires the department to verify community engagement activities and exemptions, suspend enrollment for those non-compliant, re-enroll individuals after 180 days if 30 days of compliance has been met, and increase monitoring of those re-enrolled. 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). The department estimates this will average 30 minutes per person for these processes. The table below illustrates the additional time necessary for this process, resulting in additional client service coordinators.

	Individuals	Number Non-Compliant (25%)	Additional Time per year	Total Hours	Hours per year per PB	PB Needed
FY 2026	36251	9063	0.5	4531	1456	3.11
FY 2027	36583	9144	0.5	4572	1456	3.14
FY 2028	36949	9237	0.5	4619	1456	3.17
FY 2029	37319	9330	0.5	4665	1456	3.20

- 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.
- To maintain current staffing ratios, the addition of 16.00 FTE client service coordinators would result in the need for an additional 2.00 FTE client service supervisors and 2.00 FTE client service technicians.
- Additional space for the 16.00 FTE, 2.00 FTE client service supervisors and 2.00 FTE client service technicians requires an additional 5,700 square feet of office space at an estimate \$17.14 per square foot. (5,700 x \$17.14 = \$97,698).
- Operating costs associated with the new FTE are estimated 3% of personal service costs.
- One-time computer equipment and office furniture in FY 2026 is estimated at \$56,000 (20 \* \$2,800 = \$56,000).
- Funding for the client service coordinators, client service supervisor, and client service technician's would be an Federal Medical Assistance Percentage (FMAP) of 25% general fund and 75% federal funds.

**Medicaid Benefits**

9. The department assumes the implementation of community engagement requirements for Medicaid Expansion will require an 1115 Waiver through the Centers for Medicare & Medicaid Services (CMS). To meet federal and state public notice requirements and timelines, the department will submit the waiver to be approved by October 1, 2025, so implementation can take effect on January 1, 2026. While there is limited precedent of CMS approval of community engagement requirements for Medicaid programs, the State of Georgia currently does have such an authority.
10. The fiscal impact calculations assume a January 1, 2026, 1115 waiver effective date.
11. Average monthly enrollments for FY 2026 through FY 2029 are based on enrollment projections as of January 2025.
12. Based on the experience of other states, the department assumes 25% of those required to participate in community engagement activities will not meet the requirements and will lose Medicaid Expansion eligibility after 180 days. Because the waiver is assumed to be effective January 1, 2026, and participants will not lose eligibility until 180 days of non-compliance, the department does not assume any reduction in enrollment in FY 2026. In FY 2027, this would result in 9,144 individuals losing eligibility (79,185 total enrollment x 46.2% who must complete community engagement x 25% who fail to meet requirements). Of these 9,144, a total of 8,204 are assumed to be non-American Indian. This will reduce Medicaid Expansion benefit expenditures for non-American Indians by \$86,351,905 for FY 2027, \$87,215,424 for FY 2028, and \$88,087,578 for FY 2029.
13. The department assumes a 940 individual losing eligibility in FY 2027 will be American Indians living on a reservation. The department assumes a reduction in expenditures of \$9,596,498 for FY 2027, \$9,692,463 for FY 2028, and \$9,789,387 for FY 2029 for Indian Health Service or other services that are eligible for 100% federal reimbursement.
14. The department assumes that 10.9% of the Medicaid Expansion participants losing eligibility due to failing to meet the community engagement requirements will be eligible for a standard Medicaid program and will transition to one of the following Medicaid programs effective July 1, 2026: Parent Caretaker/Relative (25-50% FPL); Waiver for Additional Services and Populations (WASP); Pregnant Woman, Breast and Cervical Cancer; Medically Needy.
15. This will transition total benefit expenditures of \$8,442,765 for FY 2027, \$8,527,725 for FY 2028, and \$8,612,659 for FY 2029. The department assumes the Medicaid benefit costs will be eligible for standard Medicaid FMAP (61.47% in FY 2027 - FY 2029).

The table below reflects the total impact to benefit expenditures based on assumptions 6 through 9:

AN ACT GENERALLY REVISING THE MEDICAID EXPANSION PROGRAM REVISING THE COMMUNITY ENGAGEMENT REQUIREMENTS FOR PROGRAM PARTICIPANTS			
	FY 2027	FY 2028	FY 2029
<b>Total Medicaid Expansion</b>			
Forecasted Medicaid Expansion Expenditures	754,030,750	761,571,057	769,186,768
Forecasted Medicaid Expansion Average Monthly Enrollment	79,185	79,977	80,777
<b>Community Engagement Requirement - Non-IHS/Tribal</b>			
Forecasted Medicaid Expansion Expenditures	670,925,546	677,634,801	684,411,149
Average Monthly Enrollment	71,044	71,755	72,473
Enrollment Decrease - (Non-American Indian)	8,204	8,286	8,369
Expenditure Per Member Per Month Savings	(786.98)	(786.98)	(786.98)
Estimated Annual Savings Due to Enrollment Decrease	(86,351,905)	(87,215,424)	(88,087,578)
<b>Community Engagement Requirement - Shift to Standard Medicaid</b>			
Enrollment Increase	894	903	912
Expenditure Per Member Per Month	786.98	786.98	786.98
Estimated Annual Cost Due to Enrollment Increase	8,442,765	8,527,725	8,612,659
<b>Community Engagement Requirement - IHS/Tribal</b>			
Forecasted Medicaid Expansion Expenditures	83,105,204	83,936,256	84,775,619
Average Monthly Enrollment	8,141	8,222	8,304
Enrollment Decrease - American Indian	940	949	959
Expenditure Per Member Per Month Savings	(850.73)	(850.73)	(850.72)
Estimated Annual Savings Due to Enrollment Decrease	(9,596,498)	(9,692,463)	(9,789,387)
<b>FMAP</b>			
Medicaid Expansion Non-IHS/Tribal Facility - State Share	10.00%	10.00%	0.00%
Medicaid Expansion Non-IHS/Tribal Facility - Federal Share	90.00%	90.00%	0.00%
Standard Medicaid Non-IHS/Tribal Facility - State Share	38.53%	38.53%	0.00%
Standard Medicaid Non-IHS/Tribal Facility - Federal Share	61.47%	61.47%	0.00%
IHS/Tribal Facility - State Share	0.00%	0.00%	0.00%
IHS/Tribal Facility - Federal Share	100.00%	100.00%	0.00%
<b>FUNDING</b>			
Medicaid Expansion Non-IHS/Tribal Facility - State	(8,635,191)	(8,721,542)	(8,808,758)
Medicaid Expansion Non-IHS/Tribal Facility - Federal	(77,716,715)	(78,493,882)	(79,278,821)
Standard Medicaid Non-IHS/Tribal Facility - State	3,241,178	3,285,733	3,318,457
Standard Medicaid Non-IHS/Tribal Facility - Federal	5,201,588	5,241,993	5,294,201
IHS/Tribal Facility - State	-	-	-
IHS/Tribal Facility - Federal	(9,596,498)	(9,692,463)	(9,789,387)
<b>State - Total</b>	<b>(5,394,013)</b>	<b>(5,435,810)</b>	<b>(5,490,301)</b>
<b>Federal - Total</b>	<b>(82,111,625)</b>	<b>(82,944,352)</b>	<b>(83,774,007)</b>
<b>TOTAL IMPACT</b>	<b>(87,505,637)</b>	<b>(88,380,161)</b>	<b>(89,264,307)</b>

16. The reduction in Medicaid Expansion enrollment and claims will result in a higher proportion of hospital and ambulance claims being traditional Medicaid compared to Medicaid Expansion. This adjustment will result in a reduction in federal match for Inpatient and Outpatient Supplemental Payments, Graduate Medical Education Supplemental Payments, and Intergovernmental Transfer Ambulance Payments. The department assumes federal funds for all supplement payments will be reduced by \$28,613,091 in FY 2027, \$28,597,530 in FY 2028 and \$28,581,736 in FY 2029.

#### Department of Corrections (DOC)

1. Individuals under the supervision of DOC are exempted from the integrity fees and work requirements of 53-6-108, MCA.
2. DOC assumes that, should SB 199 pass and the HELP Act ends, Section 53-6-1312, MCA, would allow DOC to continue to pay medical providers at Medicaid rates.

#### Department of Revenue (DOR)

1. Under current law, individual taxpayers who enroll in Medicaid Expansion, may be subject to taxpayer integrity fees. To qualify for the fees, individual taxpayers must meet at least one of the following three conditions: have equity in non-agriculture real property or improvements to real property that exceeds the limits established in 70-32-104, MCA by at least \$5,000, own more than one light vehicle with a combined depreciated value of at least \$20,000 and have equity in the vehicles of at least \$5,000 above the combined depreciated value of the vehicles, or own agricultural land with a taxable value in excess of \$1,500 a year. If



any of these conditions are met, the taxpayers will be assessed a fee based on their equity in property and vehicles.

2. In addition, any entity organized under 26 U.S.C. 501(d) with members who are also participating in Medicaid Expansion must also pay a fee based on the number of members who are receiving the benefits.
3. Under current law, both fees are set to expire June 30, 2025.
4. SB 199 removes the set termination date for the fees. The termination date for the fee is replaced with a contingency termination requirement, where the fees will be terminated June 30 of a session year if the U.S. Department of Health and Human Services does not provide the approvals or waivers necessary for the Medicaid Expansion.
5. SB 199 also changes the light vehicle fee requirement for the individual integrity fee. Under the new requirements, individual taxpayers must own more than one light vehicle per adult in their household with a combined depreciated value of \$20,000 or more and a combined equity in the vehicles that exceeds the combined depreciated value by at least \$5,000.
6. It is assumed that the contingency will not be met and that the taxpayer integrity fees will be collected each year.
7. From FY 2022 through FY 2024, the department has collected a total of \$4.738 million from entities organized under 26 U.S.C. 501(d). The average annual collections for this group over the three years was \$1,579,000.
8. From FY 2022 through FY 2024, DOR collected a total of \$476,000 from the individual taxpayers who met the qualifications for the individual integrity fee. The average collections each year for this group was \$159,000.
9. Under current law, both fees will end at the of FY 2025, at which point the department will stop collecting both fees.
10. As SB 199 does not change the structure of the integrity fee for 501(d) organizations, it is assumed that DOR will continue to collect \$1,579,000 each fiscal year as a result of the proposed bill, starting FY 2026.
11. Changing the vehicle requirement for the individual integrity fee is assumed to reduce the number of fees collected relative to current collections. Based on January 2025 integrity fee data, increasing the number of vehicles required for the fee is expected to reduce the number of taxpayers meeting the vehicle qualifications by a third.
12. It is assumed that under SB 199, DOR will continue collecting individual integrity fees past FY 2025, but with an average annual collection amount of \$106,000 ( $\$159,000 \times (2/3)$ ).
13. The taxpayer integrity fees collected by DOR are deposited into the Montana Health and Economic Livelihood Partnership (HELP) Act special revenue account provided for in 53-6-1315, MCA.
14. Under SB 199, continuing the collection of taxpayer integrity fees past FY 2025 will increase state special revenue by \$1,685,000 ( $\$1,579,000 + \$106,000$ ) each fiscal year.

### 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>
<b><u>Fiscal Impact</u></b>				
FTE	20.00	20.00	20.00	20.00
<b>TOTAL Fiscal Impact</b>	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>	<u>20.00</u>
<b><u>Expenditures</u></b>				
Personal Services	\$1,594,934	\$1,600,095	\$1,605,257	\$1,594,934

**Fiscal Note Request - As Introduced***(continued)*

Operating Expenses	\$201,546	\$145,701	\$146,856	\$145,546
Benefits	\$0	(\$116,118,728)	(\$116,977,691)	(\$117,846,043)
<b>TOTAL Expenditures</b>	<b>\$1,796,480</b>	<b>(\$114,372,932)</b>	<b>(\$115,225,578)</b>	<b>(\$116,105,563)</b>

**Funding of Expenditures**

General Fund (01)	\$398,734	(\$4,993,988)	(\$5,034,495)	(\$5,091,566)
Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>TOTAL Funding of Expenditures</b>	<b>\$1,796,480</b>	<b>(\$114,372,932)</b>	<b>(\$115,225,578)</b>	<b>(\$116,105,563)</b>

**Revenues**

Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>TOTAL Revenues</b>	<b>\$1,397,746</b>	<b>(\$109,378,944)</b>	<b>(\$110,191,083)</b>	<b>(\$111,013,997)</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

General Fund (01)	(\$398,734)	\$4,993,988	\$5,034,495	\$5,091,566
Federal Special Revenue (03)	\$0	\$0	\$0	\$0

**Department of Revenue****FY 2026  
Difference****FY 2027  
Difference****FY 2028  
Difference****FY 2029  
Difference****Fiscal Impact****Expenditures****Funding of Expenditures****Revenues**

State Special Revenue (02)	\$1,685,000	\$1,685,000	\$1,685,000	\$1,685,000
<b>TOTAL Revenues</b>	<b>\$1,685,000</b>	<b>\$1,685,000</b>	<b>\$1,685,000</b>	<b>\$1,685,000</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

State Special Revenue (02)	\$1,685,000	\$1,685,000	\$1,685,000	\$1,685,000
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**STATEWIDE SUMMARY****FY 2026  
Difference****FY 2027  
Difference****FY 2028  
Difference****FY 2029  
Difference****Fiscal Impact**

FTE	20.00	20.00	20.00	20.00
<b>TOTAL Fiscal Impact</b>	<b>20.00</b>	<b>20.00</b>	<b>20.00</b>	<b>20.00</b>

**Expenditures**

Personal Services	\$1,594,934	\$1,600,095	\$1,605,257	\$1,594,934
Operating Expenses	\$201,546	\$145,701	\$146,856	\$145,546
Benefits	\$0	(\$116,118,728)	(\$116,977,691)	(\$117,846,043)
<b>TOTAL Expenditures</b>	<b>\$1,796,480</b>	<b>(\$114,372,932)</b>	<b>(\$115,225,578)</b>	<b>(\$116,105,563)</b>

**Funding of Expenditures**

General Fund (01)	\$398,734	(\$4,993,988)	(\$5,034,495)	(\$5,091,566)
Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>TOTAL Funding of Expenditures</b>	<b>\$1,796,480</b>	<b>(\$114,372,932)</b>	<b>(\$115,225,578)</b>	<b>(\$116,105,563)</b>

**Revenues**

State Special Revenue (02)	\$1,685,000	\$1,685,000	\$1,685,000	\$1,685,000
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**Fiscal Note Request - As Introduced***(continued)*

Federal Special Revenue (03)	\$1,397,746	(\$109,378,944)	(\$110,191,083)	(\$111,013,997)
<b>TOTAL Revenues</b>	<b>\$3,082,746</b>	<b>(\$107,693,944)</b>	<b>(\$108,506,083)</b>	<b>(\$109,328,997)</b>

**Net Impact to Fund Balance (Revenue minus Funding of Expenditures)**

General Fund (01)	(\$398,734)	\$4,993,988	\$5,034,495	\$5,091,566
Federal Special Revenue (03)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,685,000	\$1,685,000	\$1,685,000	\$1,685,000

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

- The calculated impact in this fiscal note is solely based on the changes to community engagement requirements outlined in SB 199. 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 in addition to SB 199, the total fiscal impact reducing benefits would be greater than those stated in this fiscal note.
- In the event that Centers for Medicare & Medicaid Services (CMS) does not grant approval for the waiver, the Health and Economic Livelihood Partnership (HELP) Act is assumed to terminate on June 30, 2027. This termination will trigger the "void on occurrence of contingency" clause, specifically section 48, CH. 415, L.2019, which directly pertains to hospital utilization fees. The following are four MCA impacts associated with the "void on occurrence of contingency" clause:
  - 15-66-102, MCA - The inpatient bed day fee will revert to \$50 per inpatient bed day and the hospital outpatient revenue utilization fee will cease to be assessed.
  - 15-66-201, MCA - The inpatient bed day fees will be due on January 31.
  - 53-6-149, MCA - DPHHS will no longer be mandated to issue Health Reimbursement Account (HRA) payments by May 5th of each year.
  - 53-6-1315, MCA - This state special revenue account will be eliminated. The MCA sections related to the fees that are to be deposited into this account will be rendered void.
- The termination of the HELP Act would also require the department to complete the following activities:
  - Remove Medicaid Expansion population from scope of services in existing contracts.
  - Update all public-facing documentation to reflect the termination of Medicaid Expansion.
  - Submit an amendment to CMS to formally terminate the Alternative Benefit Plan.
  - Modify supplemental payment calculations for Graduate Medical Education (GME), inpatient hospital services, outpatient hospital services, continuity of care programs, and ambulance Intergovernmental transfer (IGT) to account for the reduced Medicaid population.
  - Develop and submit new claiming methodologies for inpatient hospital services, outpatient hospital services, continuity of care programs, and GME to CMS for approval.
- The fiscal impact of a possible HELP Act termination in FY 2028 and FY 2029 are not calculated in this fiscal note, but would be an overall decrease in benefit expenditures, almost exclusively in federal funds and state special revenue funds (hospital taxes as noted in #2). The impact to the general fund due to a termination is expected to be minimal due to the shift of some individuals from Medicaid Expansion to traditional Medicaid and the larger state share associated with traditional Medicaid coverage.

**Department of Revenue (DOR)**

- It is unclear how the changes to the vehicle fee criteria would be applied with regards to the number of people in a household. The DOR is required to prepare rules to stipulate who would qualify and how this would impact the fee.

Fiscal Note Request - As Introduced

(continued)

JRT

Sponsor's Initials

01/29/2025

Date

RD

Budget Director's Initials

1/29/2025

Date