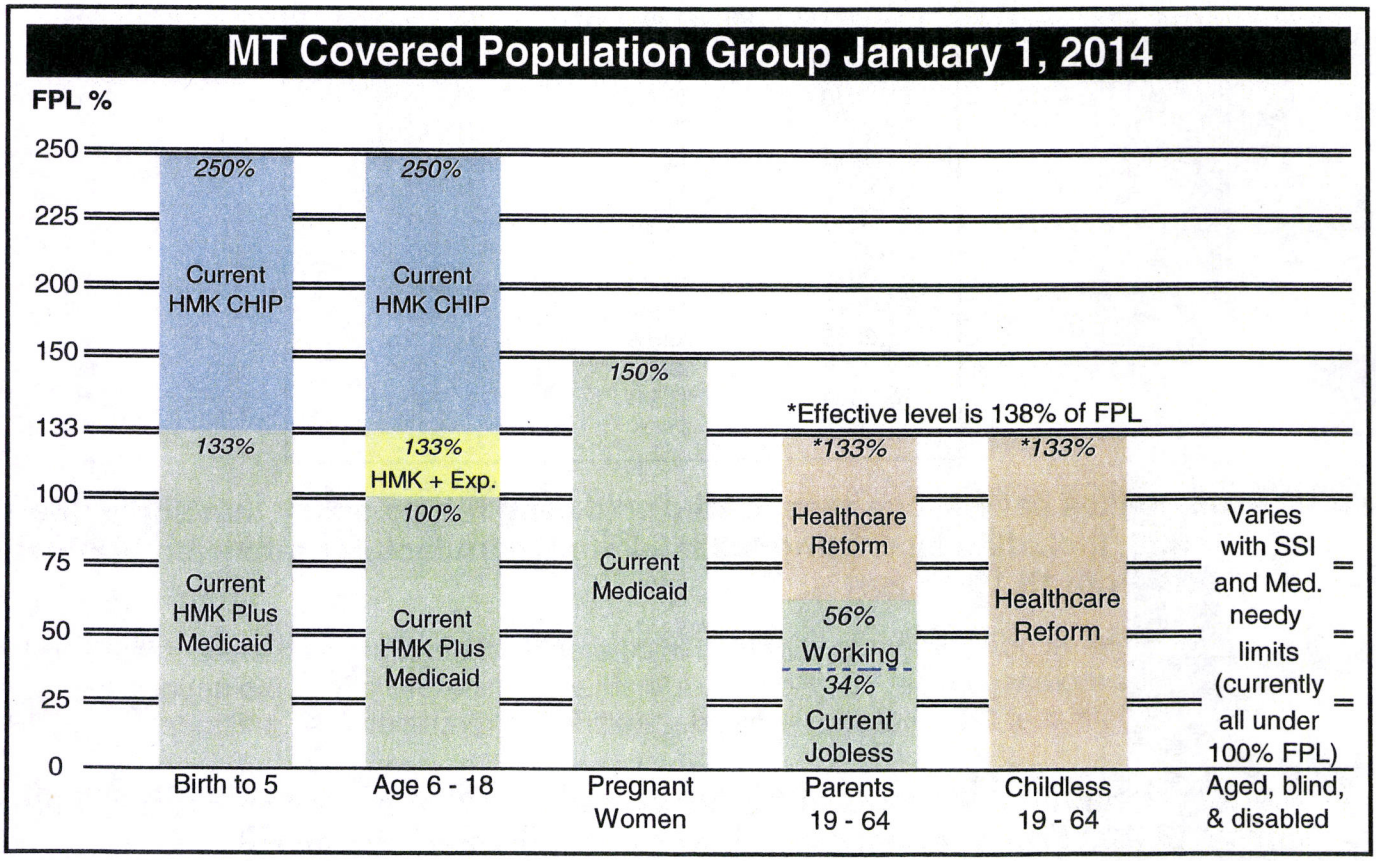
MONTANA
Department of Public Health & Human Services

Montana and Major Components of Federal Healthcare Reform

(DPHHS Analysis of Major components as of 4-19-2010. Since this is a dynamic analysis, it is anticipated that there will be multiple changes moving forward)

1. **Expands Medicaid eligibility to individuals under age 65 with incomes up to 133% FPL**
   (*Income deduction allowance of five percentage points creates effective eligibility level of 138%)
   - On or after April 1, 2010 –December 2013: Eligibility expansion optional for states.
   - January 1, 2014: States required to begin expansion.



2. **Requires benchmark or benchmark-equivalent coverage for Medicaid expansion populations.**
   - Benchmarks include the Federal employees Blue Cross preferred provider plan, plans offered or available to state employees, the plan of the HMO in the state with the largest non-Medicaid enrollment, or any other plan approved by the Secretary.

3. **Changes Medicaid income eligibility requirements.**
   - Requires use of modified gross income and prohibits assets test and most income deductions.

4. **Requires Montana to maintain existing Medicaid eligibility until the state's exchange is fully operational on January 1, 2014.**

5. **For the first three calendar years (Jan. 1, 2014 to Dec. 31, 2016) of the mandated expansion, the Federal government bears the full cost of coverage for new eligibles in Montana.**

   – Table displays the blended State Fiscal Year percentages for both expansion and current eligible. Note that the population currently eligible will continue to be matched at the current FMAP rate (left-hand side of table)

Federal Medical Assistance Percentages (FMAP)
Montana State Share Percentage

State Fiscal Year	Clients Currently Medicaid Eligible	New Adults Under Reform
FY 2010	22.7%	Not Eligible
FY 2011	26.6%	Not Eligible
FY 2012	33.1%	Not Eligible
FY 2013	33.9%	Not Eligible
FY 2014	33.5%	0.0%
FY 2015	33.5%	0.0%
FY 2016	33.5%	0.0%
FY 2017	33.5%	2.5%
FY 2018	33.5%	5.5%
FY 2019	33.5%	6.5%
FY 2020	33.5%	8.5%
FY 2021	33.5%	10.0%

6. **The bill makes several changes to Medicaid drug rebate policy that apply upon enactment, including increasing the minimum manufacturer rebate on brand name products from 15.1% to 23.1%.**

   – The Federal government is utilizing this difference in percent and therefore states will not see the increased revenue. Some risk that Montana could lose some supplemental collections that are currently received, awaiting interpretation and guidance from CMS.

7. **States are required to increase Medicaid rates to 100% of Medicare rates in 2013 and 2014 for certain services provided by primary care physicians.**

   – Montana's primary care physician rates are mostly at or above 100% of Medicare rates.

8. **Reduces aggregate Medicaid disproportionate share hospital (DSH) allotments and requires a methodology to reduce state DSH allotments.**

   – Montana State Government allocates DSH allotments 100% to hospitals: net impact to State Government is zero, but hospitals in total could be impacted.

9. **National high risk pool must be in place in 90 days and last till January 1, 2014.**

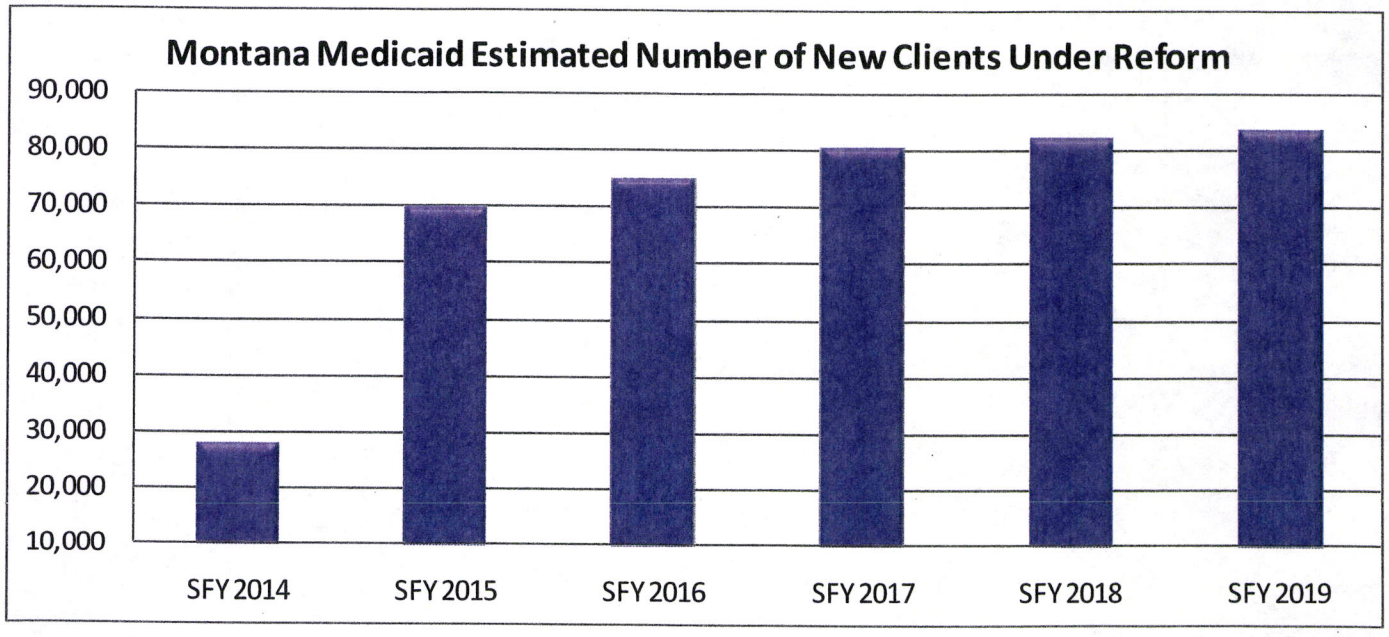
10. **Requires states to maintain existing CHIP eligibility through September 2019.**

11. **Extends Federal CHIP funding through 2015.**

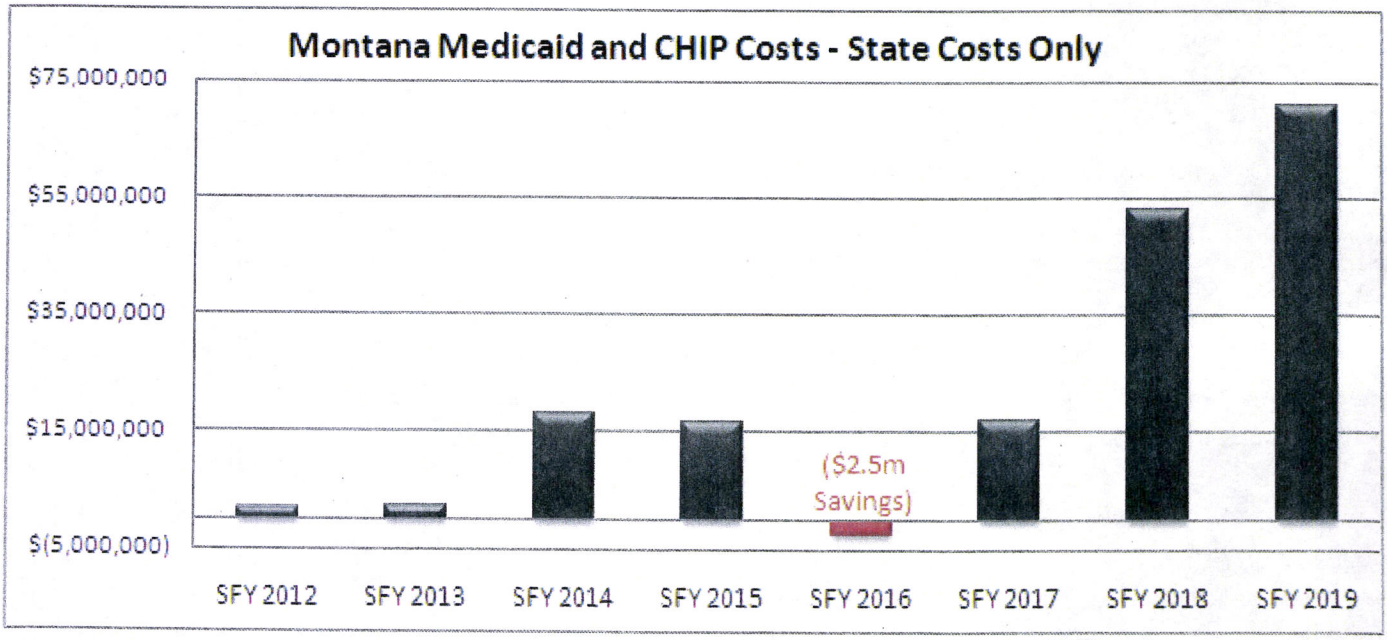
12. **From October 1, 2015 to September 30, 2019 increases the Federal CHIP match rate by 23 percentage points (not to exceed 100 percent).**

    – Montana anticipates Federal participation to be 100% with additional 23% October 1 2015.

13. **Expected number of new Medicaid clients by State Fiscal Year:**



14. **Preliminary State Fiscal Impacts by State Fiscal Year:**



Financial Impacts for HealthCare Reform - DPHHS Assumptions

1. In 2008 - 2009 there were 199,145 people in Montana under 138% of poverty (effective level includes 5% income deduction), or 20% of the total Montana population of 972,972.

2. Of the 199,145 under 138% of poverty 54,275 or 27% were uninsured: with 45,970 of these uninsured being adults 19 to 64.

3. Of the 199,145 under 138% of poverty 61,539 or 31% had private insurance: with 25,964 of these people being adults 19 to 64.

4. Assume the following take-up rates for Medicaid under Healthcare reform:
   - ✓ 95% for uninsured adults
   - ✓ 80% for privately insured adults
   - ✓ 15% for uninsured and privately insured children

5. Assume in current 2008 – 2009 population numbers that Healthcare reform (138% FPL) would have added 64,442 adults and 4,539 kids onto Medicaid; for a total of 68,981 clients (this is the baseline figure).

6. Assuming an annual enrollment growth for this group of 2%, and assume that we won't reach the full take-up rate percentages for a few years (until 2017, which is about 3 years after bill implementation in Jan 1, 2014). Assume the following phase-up of clients into Medicaid: 2014 = 75% (6 months); 2015 = 90%; 2016 = 95%; 2017 & beyond = 100%.

7. Per the above assumptions, the following schedule of additional **clients** is estimated:

SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019
28,560	69,916	75,276	80,823	82,439	84,088

8. Medicaid non-disabled adults on average cost about $600 per month, while Medicaid kids cost about $265 per month. (Amounts include hospital tax and DSH allocations.)

9. Overall costs in Medicaid for adults increases by approximately 9% annually, while costs for children increases by approximately 4% annually. (Annual costs include enrollment growth of 2% annually from above; excludes growth from hospital tax and DSH payments.)

10. The State share (Federal Medical Assistance Percentages (FMAP)) for newly eligible adult clients under the reform bill is as follows (blended for state fiscal years): 2014 = 0% (6 months); 2015 = 0%; 2016 = 0%; 2017 = 2.5%; 2018 = 5.5%; 2019 = 6.5%; 2020 = 8.5%; 2021 = 10.0%. Note that clients currently eligible will still have the current FMAP rates that are not enhanced by the reform bill.

11. Per the above assumptions, the following schedule of **State share of benefit related costs** are estimated for adults and children: 2014 = $2.2m; 2015 = $5.6m; 2016 = $6.2; 2017 = $32.0m; 2018 = $67.5m; 2019 = $85.2m; Note that the expenditures from 2014 to 2016 are all attributable to currently eligible kids.

12. **Medically Needy:** (There is possible savings for the Medically needy population, but the Department will need CMS interpretation before an impact (savings or cost) can be identified.

13. Assumption is that **administrative costs** will be matched at current rates and current split which is 42% State / 58% Federal.

14. Administrative costs currently total 6.2% of total benefits with the state share equal to 2.6% of total benefit costs. Estimate assumes that administrative costs ratio(s) would continue to equal 6.2% of new expenditures overall and 2.6% for the state share. For example under this assumption, if benefit expenditures double, administrative costs overall and to the state would also double.

15. Administrative costs in 2014 are estimated at a full year amount as start-up costs will be higher than a half year amount. ** Montana is analyzing potential costs of IT system changes for health care reform; the preliminary estimate is $1.9 million state costs overall. Changes include eligibility determination, health insurance exchange, Medicaid claims processing, and federal reporting requirements. The bill would require the changes to occur prior to January 1, 2014. It is estimated that a majority of the system update costs would be born in SFY 2013. Assume costs of $750,000 in 2012 and $1,150,000 in 2013.

16. State share of **administrative costs** estimated at 2.6% of new benefits would equal: 2012 = $750,000; 2013 = $1.15m; 2014 = $20.3m; 2015 = $20.3m; 2016 = $23.3; 2017 = $26.7m; 2018 = $29.1m; 2019 = $31.7m.

17. **Savings.** Under the reform bill, the FMAP for **CHIP** is expected to be 100% federal from October 1, 2015 through September 30, 2019. Using current proposed CHIP budget amounts and an estimated growth rate of 6%: The change in CHIP FMAP is expected to save the State of Montana: 2016 = $23.0; 2017 = $32.9m; 2018 = $35.2m; 2019 = $37.7m.

18. **Savings**. The Mental Health Services Plan (MHSP) program is currently funded with 100% State funds, but under the reform bill most clients will be eligible to receive (Medicaid) Federal funding. If the HIFA waiver is not moved then most of this population would qualify under reform. MHSP program currently expends $10 million per year on mental health services; with the bill now allowing this client group to receive Medicaid it is expected to save the State approximately $9 million per year through SFY 2016, then phasing down to $8.4 million in 2019.

19. **Total change.** Combining the expenditures and savings together for each fiscal year, yields estimated expenditure changes to the State of Montana as follows:
2012 = add $750,000; 2013 = add $1.15m; 2014 = add $18.0m; 2015 = add $16.9; 2016 = save ($2.5); 2017 = add $17.1m; 2018 = add $53.0m; 2019 = add $70.8m.

SFY 2012	SFY 2013	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019
$ 750,000	$ 1,150,000	$17,995,160	$16,854,674	$(2,508,145)	$17,106,834	$52,926,267	$70,819,282

Note: Analysis does not include all financial impacts. Only those listed in this summary.

The following financial impact analysis does not include all aspects of the reform bill. The analysis covers the following six major components of the bill:

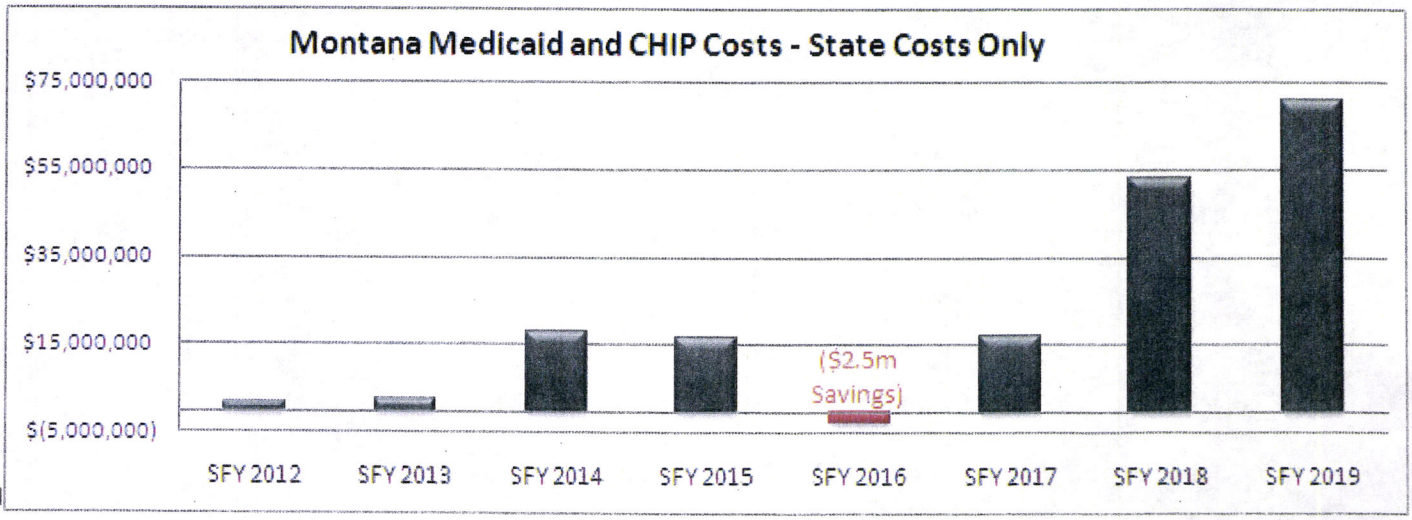
1. Estimated number of newly eligible adults along with estimated number of currently eligible children that are anticipated to enroll in Medicaid due to healthcare reform.
2. Estimated state share costs for newly eligible adults (this group will receive enhanced FMAP).
3. Estimated state share costs for new children enrollees that are currently eligible (this group will not receive enhanced FMAP).
4. Approximate administrative costs. (Note not shown in the table immediate below are system update costs for 2012 and 2013 that total $1.9 million. Bar Chart includes them.)
5. Estimate CHIP savings as Federal participation is moved to 100% from October 1, 2015 through September 30, 2019.
6. Estimate savings to Mental Health Services Plan (MHSP) assuming HIFA waiver is not moved. (Currently funded with 100% State funds, now will receive Federal funding)

As of April 19, 2010

Medicaid Expansion Under National Healthcare Reform (March 2010)
Jan. 1, 2014 Effective Date. State Match Begins Jan. 1 2017. CHIP 100% Federal Oct. 1, 2013 through Sept. 30, 2019
Cover All Population Under 133% of Poverty (Effective FPL is 138% FPL with 5% income deduction)

First Year of Proposal = FY2014	Proposal 1/2 Year	State Share % new 0%	State Share % new 0%	State Share % new 2.5%	State Share % new 5.5%	State Share % new 6.5%
MT Medicaid Additional Costs Under Proposal	**SFY 2014**	**SFY 2015**	**SFY 2016**	**SFY 2017**	**SFY 2018**	**SFY 2019**
Estimated number of new clients under proposal	28,560	69,916	75,276	80,823	82,439	84,088
State share with new FMAP medical benefit costs for new clients	$ -	$ -	$ -	$ 25,193,094	$ 60,413,040	$ 77,822,980
State share medical benefit costs for added children already eligibl	$ 2,218,047	$ 5,577,561	$ 6,168,278	$ 6,851,944	$ 7,126,022	$ 7,411,063
State share of costs for "other" changes	$ -	$ -	$ -	$ -	$ -	$ -
State share of admin. costs (@ current FMAP for admin. costs)	$ 20,277,113	$ 20,277,113	$ 23,307,267	$ 26,717,197	$ 29,095,925	$ 31,687,707
State share of costs / savings for Medically needy	$ -	$ -	$ -	$ -	$ -	$ -
Savings - MHSP program (*If HIFA not moved)	$ (4,500,000)	$ (9,000,000)	$ (9,000,000)	$ (8,775,000)	$ (8,505,000)	$ (8,415,000)
State share of savings for "other" changes	$ -	$ -	$ -	$ -	$ -	$ -
Montana costs under proposal (State only)	$ 17,995,160	$ 16,854,674	$ 20,475,545	$ 49,987,235	$ 88,129,988	$ 108,506,750
MT CHIP Additional Savings Under Proposal	**SFY 2014**	**SFY 2015**	**SFY 2016**	**SFY 2017**	**SFY 2018**	**SFY 2019**
Savings - CHIP FMAP to 100%	$ -	$ -	$ (22,983,689)	$ (32,880,401)	$ (35,203,720)	$ (37,687,468)
Montana Total Medicaid and CHIP costs under proposal (State only	$ 17,995,160	$ 16,854,674	$ (2,508,145)	$ 17,106,834	$ 52,926,267	$ 70,819,282

**Note that CHIP additional FMAP (23%) could be expanded into future years, but is only carried to September 2019 in the reform bill.



CY 2008 Baseline Figures for Healthcare Reform
Montana Population & Demographics Under 138% of Poverty (Effective Rate)
(Effective rate is 133% of poverty + 5% income deduction specified in bill)

	Population	Age			
Description	**Total**	**0-5**	**6-18**	**19-64**	**65+**
Total Montana Population Estimate 2008	972,972	74,128	152,617	600,024	146,203
Under 138% of Poverty 2008 (approx)	199,145	26,218	39,357	106,640	26,931
Uninsured under 100% Poverty (approx)	36,023	407	6,028	29,588	-
Uninsured 100% - 138% Poverty (approx)	18,252	1,136	735	16,382	-
Total uninsured under 138% of Poverty	54,275	1,543	6,763	45,970	-
Privately insured under 100% FPL (approx)	33,612	4,723	11,004	15,765	2,120
Privately insured 100% - 138% Poverty (approx)	27,927	3,401	2,828	10,199	11,500
Total Privately Insured under 138% of Poverty	61,539	8,124	13,832	25,964	13,620

Take-up: Only those individuals up to 138% FPL / Healthcare Reform

Uninsured with take-up of 95% (15% age 0-18)	44,917	231	1,014	43,671	-
Insured with take-up of 80% (15% age 0-18)	24,064	1,219	2,075	20,771	-
Total Take-up Population (As of 2008-2009)	**68,981**	**1,450**	**3,089**	**64,442**	**-**

DPHHS 4/19/2010

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Fiscal Impact Assumptions Detail

1) Population Figures sourced from 2009 Census Bureau Current Population Survey (CPS).

2) There is a 5% income deduction specified in the bill for eligibility creating an effective level of 138%. The analysis considers this in the population take-up estimate.

3) Take-up rate for children under 133% (effective rate 138%) of poverty. Assumed that the national attention and additional access under the proposal would bring more recipients into the system then Healthy Montana Kids (HMK). Even though these recipients would be eligible for Medicaid or CHIP under HMK, assume that 15% of children listed in 2008 as uninsured or privately insured under 133% FPL (effective rate 138%) would move to Medicaid under reform.

4) Adults under 133% FPL (effective rate 138%) and currently uninsured take-up rate estimated at 95%.

5) Adults under 133% FPL (effective rate 138%) currently with private insurance take-up rate estimated at 80%.

6) Assume that we won't reach the full take-up rate percentages for a few years (until 2017, which is about 3 years after bill implementation in Jan 1, 2014). Assume the following phase-up of clients into Medicaid:
2014 = 75% (6 months); 2015 = 90%; 2016 = 95%; 2017 = 100%.

7) Assume that enhanced 100% to 90% FMAP will only apply to newly eligible adult FPL populations...meaning that any new children would not be eligible for 100% to 90% match rate since they would be eligible for current programs on the basis of FPL alone.

8) Assume annual population growth of 2% on the number of enrolled recipients.

9) FMAP for new children under current Medicaid FPL limits (children 0-5 and under 133% FPL: and children 5 -18 under 100% FPL) will be at current Medicaid FMAP rates.

10) Baseline (2008) estimated (caseload) expenditures for the new population(s) is grown by 4.0% for children and 9.0% for adults into 2017 based on historical caseload growth and PMPM changes for similar Medicaid populations. Percentages include 2% for population growth under assumption #8.

11) Medically needy still need impacts calculated (need CMS interpretation)

12) SAVINGS - CHIP program; FMAP for CHIP expected to be 100% federal from October 1, 2013 through September 30, 2019. Impacts in 2016 are shown at 75% due to timing. Impacts in 2020 are shown at 25% due to timing, while impacts for 2021 are completely left off analysis due to dates listed in bill. Simple estimate based on 2011 budget grown annually at 6% for estimated cost increases. Note that CHIP additional FMAP (23%) could be expanded into future years, but is only carried to September 2019 in the reform bill.

13) SAVINGS - MHSP program; Currently funded with 100% State funds, now will receive Federal funding. If the HIFA waiver is not moved then most of this population would qualify under reform. The amount of savings is unclear if the HIFA waiver is moved prior to January 1, 2014.

14) (Inpatient Hospital Tax) Disproportionate Share Hospital (DSH) payments would be reduced under the proposal beginning in 2017. However, there is no savings to the state as tax amounts are 100% allocated back as payments. Less payments would have an equal decline in tax; this equates to less Federal costs and money to state hospitals for DSH.

15) Administrative costs. Administrative costs total 6.2% of total benefits with the state share equal to 2.6% of total benefit costs. Estimate assumes that administrative costs ratio(s) would continue to equal 6.2% of new expenditures overall and 2.6% for the state share. For example under this assumption, if benefit expenditures double, administrative costs overall and to the state would also double.

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