

**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/20/2016**

Bill/Resolution No.: HB 1033

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$334,057		\$185,408
<b>Expenditures</b>			\$195,000	\$334,057		\$185,408
<b>Appropriations</b>			\$195,000	\$334,057		\$185,408

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 of HB1033 has no fiscal impact as the Department of Human Services Executive Budget Recommendation (HB1072) includes removal of the Medicaid Expansion sunset. Subsection 5 requires the Department to pursue a Medicaid 1115 Waiver to implement a premium cost-sharing for Medicaid expansion.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Included in HB1012 is \$6.7 million of general funds for Medicaid Expansion. This is the legislatively approved \$8.2 million less the \$1.5 million allotment. An additional \$23.7 million is estimated to be needed in HB1012 to continue Medicaid Expansion at Medicaid rates and operated as fee for service rather than current managed care.

Subsection 5 of Section 1: The savings realized from implementing cost sharing requirements and the corresponding administrative costs would not be known until the federal waiver is designed. Most states seek outside consulting assistance to design the Medicaid 1115 waiver. One of the most recent states to do so, and one of comparable size is Montana. The Department of Human Services (Department) Medical Services Division contacted the Montana Medicaid program and learned the cost of their consultant was about \$780,000 (for the first twelve months of assistance). The Department is requesting one-half of that amount and will pursue a competitive procurement to seek the necessary outside assistance. The premium (cost sharing) provisions are expected to have minimal savings, and as directed in the bill, the Department would not pursue the necessary waiver unless the savings exceed the new (ongoing) administrative costs. Minimal (state) savings are estimated due to the limits the federal government has placed on how much states may assess for premiums, the high federal match for Medicaid Expansion (and the corresponding savings is "shared" with the federal government at the same match rates) and the administrative costs associated with the calculation of premiums at the time of eligibility, premium collection, notices of eligibility cancellation, reinstatement of coverage (if delinquent accounts are paid), and administration of a Medicaid 1115 waiver. The Department would also need a dedicated staff person to complete the work associated with managing a Medicaid 1115 Waiver. The FTE for managing the 1115 waiver would not be filled until the waiver is designed and the analysis demonstrates state savings; therefore, the FTE is estimated to start no sooner than January 1, 2018 at an estimated cost of \$139,057, for the 17-19 biennium and \$185,408 for the 19-21 biennium. The cost of the FTE as defined in the bill must be offset by the state's share of premiums collected.

The Department of Human Services would incur \$390,000 in consultant fees, of which \$195,000 is general fund, to determine the feasibility of a 1115 waiver and if feasible assist in obtaining the waiver.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The premium (cost sharing) provisions are expected to have minimal savings, and as directed in the bill, the Department would not pursue the necessary waiver unless the savings exceed the new (ongoing) administrative costs. Minimal (state) savings are estimated due to the limits the federal government has placed on how much states may assess for premiums, the high federal match for Medicaid Expansion (and the corresponding savings is "shared" with the federal government at the same match rates) and the administrative costs associated with the calculation of premiums at the time of eligibility, premium collection, notices of eligibility cancellation, reinstatement of coverage (if delinquent accounts are paid), and administration of a Medicaid 1115 waiver. In order to support an FTE the department would need to generate \$69,528 from the state share of premiums collected. The department will receive \$69,529 in federal funds for the remainder of the cost of the FTE. The department will also receive \$195,000 of federal funds for the consultant fees.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Most states seek outside consulting assistance to design the federal Medicaid waiver. One of the most recent states to do so, and one of comparable size is Montana. The Medical Services Division contacted the Montana Medicaid program and learned the cost of their consultant was about \$780,000 (for the first twelve months of assistance). The Department is requesting one-half of that amount and, if this legislation is approved, will pursue a competitive procurement to seek the necessary outside assistance.

The department would incur \$390,000 of operating expenses, of which \$195,000 is general fund, for the cost of the consultant fees. The cost of the FTE is estimated at \$139,057 for the 17-19 biennium and \$185,408 for the 19-21 biennium, and as defined in the bill must be offset by the state's share of premiums collected.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Most states seek outside consulting assistance to design the Medicaid 1115 waiver. One of the most recent states to do so, and one of comparable size is Montana. The Medical Services Division contacted the Montana Medicaid program and learned the cost of their consultant was about \$780,000 (for the first twelve months of assistance). The Department is requesting one-half of that amount and will pursue a competitive procurement to seek the necessary outside assistance. The premium (cost sharing) provisions are expected to have minimal savings, and as directed in the bill, the Department would not pursue the necessary waiver unless the savings exceed the new (ongoing) administrative costs. Minimal (state) savings are estimated due to the limits the federal government has placed on how much states may assess for premiums, the high federal match for Medicaid Expansion (and the corresponding savings is "shared" with the federal government at the same match rates) and the administrative costs associated with the calculation of premiums at the time of eligibility, premium collection, notices of eligibility cancellation, reinstatement of coverage (if delinquent accounts are paid), and administration of a Medicaid 1115 waiver. The Department would also need a dedicated staff person to complete the work associated with managing a Medicaid 1115 Waiver. The FTE for managing the 1115 waiver would not be filled until the waiver is designed and the analysis demonstrates state savings; therefore, the FTE is estimated to start no sooner than January 1, 2018.

For the 17-19 biennium the Department would need additional appropriation authority of \$390,000, of which \$195,000 is general fund, for the cost of the consultant fees added to their executive budget recommendation (HB1072) and the base level budget (HB1012).

For the 17-19 biennium the Department would need \$139,057 of other fund appropriation for the FTE needed to manage the 1115 waiver and \$185,408 of other fund appropriation would be needed in the 19-21 biennium.

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