



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0185: Provide for continuous healthy Montana kids plan eligibility for children under 6**

Primary Sponsor: Ed Stafman 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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	\$1,291,970	\$2,503,471	\$2,540,633	\$2,578,351
Federal Special Revenue (03)	\$2,997,733	\$5,535,552	\$5,618,194	\$5,702,077
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Federal Special Revenue (03)	\$2,997,733	\$5,535,552	\$5,618,194	\$5,702,077
Net Impact	<u>(\$1,291,970)</u>	<u>(\$2,503,471)</u>	<u>(\$2,540,633)</u>	<u>(\$2,578,351)</u>
General Fund Balance				

Description of fiscal impact

HB 185, as amended, directs the Department of Public Health and Human Services (DPHHS) to implement 3 years of continuous eligibility from the date of initial enrollment or subsequent reenrollment for children under age six in the Healthy Montana Kids plan, which includes children enrolled in the Children's Health Insurance Program or Medicaid. This change will result in increased claims for enrolled children. DPHHS will need additional staff to manage the increased health services workload related to applying for and managing a new 1115 demonstration waiver.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (department) Human and Community Services Division (HCSD)

1. HCSD estimates that approximately 4,700 cases will be of children aged 0-6, with Medicaid/Healthy Montana Kids (HMK) programs only. These cases will be continuously eligible for up to three years at a time. HCSD estimates each of these cases will have one instance of redetermination between birth and age 6 at the end of the first 3-year eligibility period. Time spent on each redetermination is 30 minutes. Each annual period requires 2,350 total hours of redetermination work (4,700 x 30 mins = 2,350 hours of work). Under current law, there would be five redeterminations during this period equating to 11,750 hours (5 redeterminations x 2,350 = 11,750 hours). This change would save 9,400 total hours or 1,880 hours per year (11,750 hours - 2,350 hours = 9,400 hours. 9,400 hours / 5 redetermination years = 1,880 hours per year). The department conducts eligibility activities for a number of programs and populations in addition to

the Medicaid/Children's Health Insurance Program (CHIP) population. These hours would be spent conducting other eligibility activities and therefore, would not result in any savings.

2. The Combined Healthcare Information and Montana Eligibility System (CHIMES) will require one-time modifications to the eligibility determination rules for span logic and renewal logic for continuous eligibility for children under 6 years and one month and over 6 years and one month of age. The modifications include changes to issuance interfaces, to notice language, and triggering logic. It is estimated the department would need to contract for 1,800 hours at a rate of \$125 per hour, for a total cost of \$ 225,000. This work would be funded 10% general fund and 90% federal fund.

Health Resources Division (HRD)

3. The department assumes that the implementation of 3 years of continuous eligibility from the date of initial enrollment or subsequent enrollment for children under the age of six years old who are enrolled in the HMK program (Medicaid/CHIP) will require a 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 that implementation can take effect on January 1, 2026.
4. 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 program specialist 1. The position will be responsible for drafting the waiver, leading public hearings, monitoring waiver requirements, collecting and analyzing waiver data, 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, and \$1,350 of one-time-only funds.
5. These costs are Medicaid administrative services that receive Federal Medical Assistance Percentage (FMAP) of 50% general fund and 50% federal funds for personal services.
6. The department does not believe children under age one would be impacted by HB 185 as a current 12-month continuous eligibility policy is currently in place.
7. 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. These costs are split evenly between FY 2026 through FY 2029.
8. The department performed an historical analysis of children under the age of six who have previously lost Medicaid coverage under current policies, but under HB 185 would remain continuously enrolled for 3 years from the date of initial enrollment or subsequent reenrollment. Based on this analysis, the department expects an annual increase in Medicaid member months of approximately 11.7% for this impacted population. This equates to an increase in an additional 26,826 months of Medicaid coverage on an annual basis, or approximately 2,236 additional children covered by Medicaid each month. (26,826 Medicaid months/12 months = 2,236 children per month). These are additional months of coverage the Medicaid caseload would incur based on HB 185.
9. Based on review of claims data, the average Medicaid per member per month cost for these additional months is estimated to be \$204.90. This results in an additional total cost of \$5,496,639 (26,826 x \$204.90). This annual cost is prorated at 50% based on a January 1, 2026, implementation date for FY 2026.
10. The department assumes the Medicaid benefit costs will be eligible for standard Medicaid FMAP (61.61% in FY 2026 and 61.47% in FY 2027 - FY 2030).
11. The department performed a historical analysis of children under six who have previously lost CHIP coverage under current policies, but under HB 185 would remain continuously enrolled for 3 years from the date of initial enrollment or subsequent reenrollment. Based on this analysis, the department assumes an annual increase in CHIP member months of approximately 8.18% for this impacted population. This equates to an increase in an additional 3,888 months of CHIP coverage on an annual basis, or approximately 324 additional children covered by CHIP each month. (3,888 Medicaid months/12 months = 324 children per month). These are additional months of coverage the CHIP caseload would incur based on HB 185.
12. Based on review of claims data, the average CHIP per member per month (PMPM) cost for these additional

- months is estimated to be \$325.94. This results in an additional total cost of \$1,267,242 (3,888 x \$325.94). This annual cost is prorated at 50% based on a January 1, 2026, implementation date for FY 2026.
13. Based on a review of claims data, the department assumes an additional cost of \$1,187,460 for Indian Health Service and tribal services eligible for 100% federal reimbursement.
 14. The department assumes the CHIP benefit costs will be eligible for the CHIP FMAP (73.19% federal funds in FY 2026 and 73.03% federal funds in FY 2027-FY 2030.)
 15. The department applied a 1.5% inflationary factor for FY 2028 and FY 2029
- Calculations for assumptions #8-#15 are included in the table below:

3 YEARS OF CONTINUOUS ELIGIBILITY FOR CHILDREN UNDER 6 YEARS OF AGE IN THE HEALTHY MONTANA KIDS PLAN					
6 MONTHS					
	SFY 2026	SFY 2027	SFY 2028	SFY 2029	SFY 2030
MEDICAID					
Eligible Member Months Prior to Change	120,187	240,374	240,374	240,374	240,374
Increase Enrollment Factor due to HB 185	1.1116	1.1116	1.1116	1.1116	1.1116
Total Member Months with HB 185	133,600	267,200	267,200	267,200	267,200
Member Months Impacted	13,413	26,826	26,826	26,826	26,826
Expenditure Cost PMPM	204.90	204.90	207.97	211.09	214.26
Increased Expenditures	2,748,319	5,496,639	5,579,088	5,662,775	5,747,716
CHIP					
Eligible Member Months Prior to Change	23,767	47,534	47,534	47,534	47,534
Increase Enrollment Factor due to HB 185	1.0818	1.0818	1.0818	1.0818	1.0818
Total Member Months with HB 185	25,711	51,422	51,422	51,422	51,422
Member Months Impacted	1,944	3,888	3,888	3,888	3,888
Expenditure Cost PMPM	325.94	325.94	330.83	335.79	340.83
Increased Expenditures	633,621	1,267,242	1,286,251	1,305,545	1,325,128
TRIBAL					
Eligible Member Months Prior to Change	30,785	61,569	61,569	61,569	61,569
Increase Enrollment Factor due to HB 185	1.1116	1.1116	1.1116	1.1116	1.1116
Total Member Months with HB 185	34,220	68,440	68,440	68,440	68,440
Member Months Impacted	3,436	6,871	6,871	6,871	6,871
Expenditure Cost PMPM	172.82	172.82	175.41	178.05	180.72
Increased Expenditures	593,730	1,187,460	1,205,272	1,223,351	1,241,701
FMAPS					
MEDICAID					
State Share	38.39%	38.53%	38.53%	38.53%	38.53%
Federal Share	61.61%	61.47%	61.47%	61.47%	61.47%
CHIP					
State Share	26.81%	26.97%	26.97%	26.97%	26.97%
Federal Share	73.19%	73.03%	73.03%	73.03%	73.03%
TRIBAL					
State Share	0.00%	0.00%	0.00%	0.00%	0.00%
Federal Share	100.00%	100.00%	100.00%	100.00%	100.00%
TOTAL					
State Share	1,224,954	2,459,630	2,496,525	2,533,972	2,571,982
Federal Share	2,750,717	5,491,711	5,574,087	5,657,698	5,742,563
TOTAL IMPACT	3,975,671	7,951,341	8,070,611	8,191,670	8,314,545
MEDICAID BREAKDOWN BY DIVISION					
Health Resources Division	2,681,630	5,363,260	5,443,709	5,525,364	5,608,245
Children's Mental Health	55,807	111,613	113,288	114,987	116,712
Senior and Long Term Care	10,883	21,765	22,092	22,423	22,760

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	0.50	0.50	0.50	0.50
TOTAL Fiscal Impact	0.50	0.50	0.50	0.50

Expenditures

Personal Services	\$35,614	\$35,614	\$36,148	\$36,690
Operating Expenses	\$278,418	\$52,068	\$52,068	\$52,068
Benefits	\$3,975,671	\$7,951,341	\$8,070,611	\$8,191,670
TOTAL Expenditures	\$4,289,703	\$8,039,023	\$8,158,827	\$8,280,428

Funding of Expenditures

General Fund (01)	\$1,291,970	\$2,503,471	\$2,540,633	\$2,578,351
Federal Special Revenue (03)	\$2,997,733	\$5,535,552	\$5,618,194	\$5,702,077
TOTAL Funding of Expenditures	\$4,289,703	\$8,039,023	\$8,158,827	\$8,280,428

Revenues

Federal Special Revenue (03)	\$2,997,733	\$5,535,552	\$5,618,194	\$5,702,077
TOTAL Revenues	\$2,997,733	\$5,535,552	\$5,618,194	\$5,702,077

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

General Fund (01)	(\$1,291,970)	(\$2,503,471)	(\$2,540,633)	(\$2,578,351)
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 indicate that 1115 waivers for continuous eligibility require a demonstration of cost savings.
2. There is not sufficient data to support an analysis of potential cost avoidance associated with the proposed legislation in HB 185.
3. HMK/CHIP is a capped program in which each state is provided an annual CHIP allotment. Montana spends on average 90% of its federal allotment each fiscal year. To prevent overspending of federal funds, the department may create an enrollment cap, and place newly eligible children on a waiting list until a spot opens in HMK/CHIP (42 CFR 457 350(h)). This would require additional eligibility system, CHIMES, changes to manage the waitlist.

NOT SIGNED BY SPONSOR



Sponsor's Initials

Date 3/20
2/3/25

Budget Director's Initials

1/30/2025
Date