



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: HB0750.01: Provide for annual increase of Medicaid provider reimbursement rates

Primary Sponsor: Mary Caferro 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

| | <u>FY 2026 Difference</u> | <u>FY 2027 Difference</u> | <u>FY 2028 Difference</u> | <u>FY 2029 Difference</u> |
|------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Expenditures | | | | |
| General Fund (01) | \$10,173,506 | \$21,486,575 | \$32,810,098 | \$44,582,324 |
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| Revenues | | | | |
| General Fund (01) | \$0 | \$0 | \$0 | \$0 |
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| Net Impact | <u>(\$10,173,506)</u> | <u>(\$21,486,575)</u> | <u>(\$32,810,098)</u> | <u>(\$44,582,324)</u> |
| General Fund Balance | | | | |

Description of fiscal impact

HB 750 mandates an annual increase of at least 2% in the reimbursement rate for services covered by the Montana Medicaid program.

FISCAL ANALYSIS

Assumptions

Department of Corrections (DOC)

1. HB 750 increases Medicaid reimbursement rates at a minimum of 2% annually.
2. 53-6-1312, MCA indicates that the DOC shall reimburse health care service for individuals in DOC custody at Medicaid reimbursement rates.
3. DOC averaged Medicaid medical provider payments over the last four fiscal years which is \$6,596,630.
4. Using the average of \$6,596,630, DOC assumes an increase of 2% with the following fiscal impacts, \$131,933 for FY 2026, \$134,572 for FY 2027, \$137,263 for FY 2028, an \$140,008 for FY2029.

Department of Public Health and Human Services (DPHHS)

1. DPHHS will annually increase the reimbursement rate to providers of all Medicaid covered services by 2% each year beginning in FY 2026 with the exception of providers that fall under statutorily required rate adjustments under 53-6-125 MCA. This increase will compound over time resulting in a realized increase in rates as compared to current rates of 4.04% in FY 2027, 6.12% in FY 2028, and 8.24% in FY 2029.
2. To calculate the fiscal impact, DPHHS utilized its projected caseload for traditional Medicaid and Medicaid expansion in FY 2026 and FY 2027 and then applied the rate increases required in HB 750, with the only exclusion being providers that fall under the provisions of 53-6-125 MCA and critical access hospitals (see technical note 1(b)). For FY 2028 and FY 2029, DPHHS applied a 1% annual caseload growth factor to the FY 2027 caseload projection.

Fiscal Analysis Table

| Department of Corrections | | | | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
| Fiscal Impact | | | | |
| Expenditures | | | | |
| Operating Expenses | \$131,933 | \$134,572 | \$137,263 | \$140,008 |
| TOTAL Expenditures | \$131,933 | \$134,572 | \$137,263 | \$140,008 |
| Funding of Expenditures | | | | |
| General Fund (01) | \$131,933 | \$134,572 | \$137,263 | \$140,008 |
| TOTAL Funding of Expenditures | \$131,933 | \$134,572 | \$137,263 | \$140,008 |
| Revenues | | | | |
| Net Impact to Fund Balance (Revenue minus Funding of Expenditures) | | | | |
| General Fund (01) | (\$131,933) | (\$134,572) | (\$137,263) | (\$140,008) |

| Department of Public Health and Human Services | | | | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
| Fiscal Impact | | | | |
| Expenditures | | | | |
| Benefits | \$36,873,298 | \$78,728,612 | \$120,458,084 | \$163,833,010 |
| TOTAL Expenditures | \$36,873,298 | \$78,728,612 | \$120,458,084 | \$163,833,010 |
| Funding of Expenditures | | | | |
| General Fund (01) | \$10,041,573 | \$21,352,003 | \$32,672,835 | \$44,442,316 |
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| TOTAL Funding of Expenditures | \$36,873,298 | \$78,728,612 | \$120,458,084 | \$163,833,010 |
| Revenues | | | | |
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| TOTAL Revenues | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| Net Impact to Fund Balance (Revenue minus Funding of Expenditures) | | | | |
| General Fund (01) | (\$10,041,573) | (\$21,352,003) | (\$32,672,835) | (\$44,442,316) |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |

| STATEWIDE SUMMARY | | | | |
|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | FY 2026 Difference | FY 2027 Difference | FY 2028 Difference | FY 2029 Difference |
| Fiscal Impact | | | | |
| TOTAL Fiscal Impact | 0.00 | 0.00 | 0.00 | 0.00 |
| Expenditures | | | | |
| Operating Expenses | \$131,933 | \$134,572 | \$137,263 | \$140,008 |
| Benefits | \$36,873,298 | \$78,728,612 | \$120,458,084 | \$163,833,010 |
| TOTAL Expenditures | \$37,005,231 | \$78,863,184 | \$120,595,347 | \$163,973,018 |

Funding of Expenditures

| | | | | |
|--------------------------------------|---------------------|---------------------|----------------------|----------------------|
| General Fund (01) | \$10,173,506 | \$21,486,575 | \$32,810,098 | \$44,582,324 |
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| TOTAL Funding of Expenditures | \$37,005,231 | \$78,863,184 | \$120,595,347 | \$163,973,018 |

Revenues

| | | | | |
|------------------------------|---------------------|---------------------|---------------------|----------------------|
| Federal Special Revenue (03) | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |
| TOTAL Revenues | \$26,831,725 | \$57,376,609 | \$87,785,249 | \$119,390,694 |

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

| | | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| General Fund (01) | (\$10,173,506) | (\$21,486,575) | (\$32,810,098) | (\$44,582,324) |
| Federal Special Revenue (03) | \$0 | \$0 | \$0 | \$0 |

Technical Concerns

Department of Public Health and Human Services

1. In addition to providers who receive a statutory rate increase under 53-6-125 MCA, many other Medicaid rate adjustments are made annually based on different payment methodologies utilized by Medicaid. These different methodologies are outlined below:
 - a. Ambulatory Surgical Center Services, Durable Medical Equipment (DME), laboratory services, and physician administered drugs rates are tied to the Medicare fee schedules.
 - b. Critical Access Hospitals are cost settled annually at 101% of cost.
 - c. Pharmacy reimbursement has two pricing components: professional dispensing fee and the allowed drug ingredient cost. A pharmacy is assigned a professional dispensing fee that is the lower of their calculated cost to dispense or the maximum dispensing fee for their assigned prescription volume tier. Medicaid utilizes an average acquisition cost methodology to establish an allowed drug ingredient cost.
 - d. Federally Qualified Health Centers, Rural Health Clinics and Urban Indian Organizations rates are set utilizing Medicare cost reports. The rate is increased annually by the Medicare Economic Index. Medicare cost reports are reviewed, and the encounter rate may be updated based on a provider's requested change in scope of service.
 - e. Indian Health Service (IHS)/Tribal 638 provider rates are required to utilize the All-Inclusive Rate (AIR) published annually in the federal register.
2. A mandatory increase of provider rates without exceptions could put DPHHS at risk of exceeding applicable upper payment limits. Many Medicaid services are reimbursed at rates equal to upper payment limit of Medicare. A mandated 2% increase could push reimbursement rates above these limits, resulting in non-compliance with federal regulations. For example, federal upper payment limits require the Medicaid durable medical equipment program to reimburse at or below 100% of the Medicare rate. If DPHHS exceeds the upper payment limit, the state would be responsible for the expenditures above this limit.
3. Section 1 of HB 585 creates a statutory rate increase, similar to 53-6-125, MCA, for physical therapists, occupational therapists, and speech-language pathologists. If HB 585 passes, its increase would be in addition to the 2% provided under HB 750.

Sponsor's Initials

Date

Budget Director's Initials

3/3/2025
Date

NOT SIGNED BY SPONSOR

