GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **SB0062: Provide for phaseout of Medicaid expansion program**

Primary Sponsor: Carl Glimm 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

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Expenditures				
General Fund (01)	$453,776,544	$354,694,933	$199,172,530	$91,786,455
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
Revenues				
General Fund (01)	$0	$0	$0	$0
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
Net Impact	($453,776,544)	($354,694,933)	($199,172,530)	($91,786,455)
General Fund Balance				

Description of fiscal impact

SB 62 requires the Department of Public Health and Humans Services (DPHHS) to wind down the Montana Health and Economic Livelihood Partnership (HELP) program beginning September 1, 2025 and directs DPHHS to apply for a waiver to place individuals still eligible for HELP on the waiver effective September 1, 2025. DPHHS assumes CMS will not approve such a waiver, and individuals on HELP on or after September 1, 2025, will be funded using 100% state funds. Incarcerated individuals under the supervision of the Department of Corrections (DoC) would no longer be eligible for Medicaid coverage, resulting in the loss of Medicaid eligibility for almost all offenders and shifting the cost of hospital stays longer than 24 hours to the DoC.

FISCAL ANALYSIS

Assumptions

Department of Public Health and Human Services (DPHHS/department)

1. The department assumes that HELP participants that are eligible for a traditional Medicaid program will transition to one of the following Medicaid programs effective September 1, 2025, for the Department to receive the standard FMAP for these individuals:
   a. Parent Caretaker/Relative (25-50% FPL)
   b. SDMI/Waiver for Additional Services and Populations (WASP)
   c. Pregnant Woman
   d. Breast and Cervical Cancer

e. Medically Needy

This will transition total benefit expenditures of $105,595,599 in FY 2026 and $126,714,719 in FY 2027. The department assumes 11.05% of these expenditures will be Indian Health Service or other services that are eligible for 100% federal reimbursement. Breast and Cervical Cancer expenditures are eligible for enhanced FMAP (27.81% state fund and 73.19% federal funds in FY 2026 and 27.97% state funds and 73.03% federal funds in FY 2027). The remaining expenditures will receive standard Medicaid FMAP (38.39% state funds and 61.61% federal funds in FY 2026 and 38.53% state funds and 61.47% federal funds in FY 2027). The table below shows the savings the Department will realize in the first full year (FY 2027) by moving these individuals to traditional Medicaid instead of leaving them on HELP at 100% state costs:

	Total Projected Funds	Total State Share with Trad Med	Savings (Federal Share)	Additional State Share Obligation with transfer to Trad Med	
Eligibility Category	**SFY27**	**SFY27**	**SFY 27**	**SFY25**	**SFY25**
Breast and Cervical Cancer	$4,250,885	$1,012,590	$3,238,295	$529,082	$634,899
Medically Needy	$31,395,114	$10,750,563	$20,644,551	$6,599,388	$7,961,107
Parent/Caretake Relative	$19,304,861	$6,610,523	$12,694,338	$4,057,965	$4,895,286
SDMI (WASP Waiver)	$60,741,002	$20,799,414	$39,941,588	$12,768,019	$15,402,576
Pregnant	$11,022,857	$3,774,534	$7,248,323	$2,317,052	$2,795,153
Estimated Total	**$126,714,719**	**$42,947,623**	**$83,767,096**	**$26,271,506**	**$31,689,021**

2. The department used a blend of HELP actual monthly disenrollments prior to the COVID pandemic (January 2018-December 2019) as well as data since the end of the Public Health Emergency (PHE) unwind (January 2024-August 2024). Disenrollment data occurring during the PHE was excluded because of the continuous enrollment provision in place. Based on the data collected the department assumes HELP program enrollment will decrease approximately 3.045% a month beginning October 2025. The resulting enrollment projects 36,428 participants at the end of FY 2027 and 17,343 participants remaining at the end of FY 2029. See table below with projected enrollment by month:

Date	HELP SB62 Projected Enrollment	Notes/Assumptions
9/1/2024	77,398	Most currently published enrollment
10/1/2024	77,462	Assume 1% annual growth until 9/30/25
11/1/2024	77,527	
12/1/2024	77,591	
1/1/2025	77,655	
2/1/2025	77,720	
3/1/2025	77,784	
4/1/2025	77,849	
5/1/2025	77,913	
6/1/2025	77,978	
7/1/2025	78,043	
8/1/2025	78,108	
9/1/2025	69,736	Transfer of 8,436 individuals to Trad Med
10/1/2025	67,613	Assume approx 3% monthly disenrollment
11/1/2025	65,554	
12/1/2025	63,558	
1/1/2026	61,623	
2/1/2026	59,746	
3/1/2026	57,927	
4/1/2026	56,163	
5/1/2026	54,453	
6/1/2026	52,795	
7/1/2026	51,187	
8/1/2026	49,629	
9/1/2026	48,117	
10/1/2026	46,652	
11/1/2026	45,232	
12/1/2026	43,854	
1/1/2027	42,519	
2/1/2027	41,224	
3/1/2027	39,969	
4/1/2027	38,752	
5/1/2027	37,572	
6/1/2027	36,428	
7/1/2027	35,319	
8/1/2027	34,243	
9/1/2027	33,201	
10/1/2027	32,190	
11/1/2027	31,209	
12/1/2027	30,259	
1/1/2028	29,338	
2/1/2028	28,444	
3/1/2028	27,578	
4/1/2028	26,738	
5/1/2028	25,924	
6/1/2028	25,135	
7/1/2028	24,370	
8/1/2028	23,627	
9/1/2028	22,908	
10/1/2028	22,210	
11/1/2028	21,534	
12/1/2028	20,878	
1/1/2029	20,243	
2/1/2029	19,626	
3/1/2029	19,029	
4/1/2029	18,449	
5/1/2029	17,887	
6/1/2029	17,343	

3. The table below summarizes health care services expenditures under SB 62 by traditional Medicaid and HELP. The department assumes health care service utilization for HELP will decline with enrollment. Expenditures are calculated using the present law per member per month cost for the HELP population multiplied by the projected annual member months for HELP for each year. HELP health care services will

transition from an FMAP of 10% state funds and 90% federal funds to 100% state funds effective September 1, 2025 due to loss of federal program approval.

Medicaid Expansion Benefits	FY 2026 (10 months)	FY 2027	FY 2028	FY 2029
Present Law Benefits	**$ 584,286,915**	**$ 754,030,750**	**$ 761,571,057**	**$ 769,186,768**
Traditional Medicaid	$ 105,595,599	$ 126,714,719	$ 126,714,719	$ 126,714,719
Medicaid Expansion	$ 345,131,384	$ 286,826,064	$ 158,622,530	$ 70,163,917
SB 62 Benefit Expenditures	**$ 450,726,983**	**$ 413,540,783**	**$ 285,337,249**	**$ 196,878,636**

4. The department assumes that with the continuation of HELP as a state-funded program, there would be no changes to 53-6-1315, MCA or the fees paid by hospitals in 15-66-102, MCA, and no change in revenue from hospital inpatient and outpatient fees. The Department assumes the 54% of outpatient revenues that are deposited to cover HELP health care services would continue, and therefore there is no fiscal impact to state special revenues or expenses.
5. The department assumes it would not receive any federal match for the HELP population when calculating hospital supplemental payments, resulting in a decrease in supplemental payments to hospitals due to a loss in federal revenue. These supplemental payments include Graduate Medical Education (GME), outpatient hospital reimbursement, inpatient hospital reimbursement and intergovernmental transfer (IGT) ambulance supplemental payments. Detailed calculations are shown on the next page.
6. The department would no longer be able to participate in the Medicaid drug rebate program for HELP participants with the loss of federal approval of the program. This results in an increased expenditure for pharmacy claims. These expenditures will decrease in proportion to HELP enrollment.
7. The department assumes all HELP administrative costs will be funded with 100% state funds effective September 1, 2025. Current Medicaid expansion administrative costs receive an administrative federal participation rate ranging from 50% to 75%.
8. Enrollment and Administration
   a. All individuals outlined in assumption #1 will need to have an eligibility redetermination to authorize traditional Medicaid enrollment. All Medicaid cases require an annual redetermination creating an increase in ongoing work for traditional Medicaid cases.
9. Based on the assumption outlined above the Department assumes that FY 2026 will have a decrease in positions budgeted (PB) for HELP cases of 4.30 PB and an increase in PB needed for traditional cases of 10.80 PB (due to assumptions #1 and #8) with a net change of 6.50 PB as compared to present law PB. FY 2027 will see a decrease in PB for HELP cases of 13.20 PB and an increase of 10.20 PB needed for traditional cases with a net change of -3.00 PB as compared to present law PB. FY 2028 will see a decrease in PB for HELP cases of 19.40 PB and an increase of 9.70 PB needed for traditional cases with a net change of -9.70 PB as compared to present law PB. FY 2029 will see a decrease in PB for HELP cases of 23.60 PB and an increase of 9.30 PB needed for traditional cases with a net change of -14.30 PB as compared to present law PB. See table below for calculations:

	FY2026	FY2027	FY2028	FY2029
Change in HELP Applications/Redeterminations	-8,364	-25,657	-37,594	-45,835
HELP Case Processing Time (Hours)	0.75	0.75	0.75	0.75
PB Hours per year	1,456	1,456	1,456	1,456
HELP PB Change	-4.30	-13.20	-19.40	-23.60
Change in Traditional Applications/Redeterminations	10,525	9,855	9,393	9,074
Traditional Cases Processing Time (Hours)	1.5	1.5	1.5	1.5
PB Hours per Year	1,456	1,456	1,456	1,456
Traditional PB Change	10.80	10.20	9.70	9.30
Net FTE impact	**6.50**	**-3.00**	**-9.70**	**-14.30**

10. One-time only costs for modifications to the integrated eligibility system (CHIMES) would be $27,500 ($125/hour for 220 hours).
11. Changes to the MMIS and ancillary systems including data and reporting to reflect changes in funding for claims would be $42,460 ($125/hour avg. rate for 340 hours)
12. The Department assumes claims processing and other HELP administrative costs would drop in proportion to enrollment. This is due to the decrease in workload associated with the decrease in enrollment. This is calculated by taking present law administrative costs for HELP and multiplying by the a % of enrollees still eligible for services (both remaining HELP enrollees and those who transitioned to Traditional Medicaid in assumption #1).

Summary of Financial Impacts

Medicaid Expansion Benefits	FY 2026 (10 months)	FY 2027	FY 2028	FY 2029
Present Law Expenditures				
Benefits	$ 584,286,915	$ 754,030,750	$ 761,571,057	$ 769,186,768
Supplemental Payments	$ 375,437,928	$ 375,437,928	$ 375,437,928	$ 375,437,928
Total Expenditures	**$ 959,724,843**	**$ 1,129,468,678**	**$ 1,137,008,986**	**$ 1,144,624,697**
SB 62 Expenditures				
Benefits	$ 450,726,983	$ 413,540,783	$ 285,337,249	$ 196,878,636
Loss of Drug Rebate	$ 114,234,245	$ 84,651,344	$ 62,056,192	$ 46,578,352
Supplemental Payments	$ 150,722,159	$ 150,061,066	$ 149,977,058	$ 149,916,569
Total Expenditures	**$ 715,683,387**	**$ 648,253,193**	**$ 497,370,499**	**$ 393,373,557**
Fiscal Impact of SB 62				
Benefits	$ (133,559,932)	$ (340,489,967)	$ (476,233,809)	$ (572,308,132)
Loss of Drug Rebate	$ 114,234,245	$ 84,651,344	$ 62,056,192	$ 46,578,352
Supplemental Payments	$ (224,715,770)	$ (225,376,862)	$ (225,460,871)	$ (225,521,360)
Total Expenditures	**$ (244,041,456)**	**$ (481,215,485)**	**$ (639,638,487)**	**$ (751,251,140)**
Funding of Fiscal Impact				
General Fund	$ 443,047,679	$ 347,332,477	$ 195,862,865	$ 91,248,777
State Special Fund	$ -	$ -	$ -	$ -
Federal Fund	$ (687,089,135)	$ (828,547,962)	$ (835,501,352)	$ (842,499,917)
Total Funding	**$ (244,041,456)**	**$ (481,215,485)**	**$ (639,638,487)**	**$ (751,251,140)**

Medicaid Expansion Administration	FY 2026 (10 months)	FY 2027	FY 2028	FY 2029
Present Law Expenditures				
Claims Processing	$ 12,177,068	$ 14,612,482	$ 14,612,482	$ 14,612,482
Eligibility	$ 1,038,462	$ 1,246,154	$ 1,246,154	$ 1,246,154
Other Administraion	$ 4,819,379	$ 5,783,255	$ 5,783,255	$ 5,783,255
Total Expenditures	**$ 18,034,909**	**$ 21,641,891**	**$ 21,641,891**	**$ 21,641,891**
SB 62 Expenditures				
Claims Processing	$ 10,805,395	$ 9,570,828	$ 7,016,181	$ 5,266,229
Eligibility	$ 1,520,893	$ 1,020,073	$ 520,283	$ 177,602
Other Administraion	$ 4,259,701	$ 3,787,894	$ 2,776,829	$ 2,084,242
Total Expenditures	**$ 16,585,989**	**$ 14,378,796**	**$ 10,313,293**	**$ 7,528,073**
SB 62 Fiscal Impact				
Claims Processing (Assumption #10 and #11)	$ (1,371,673)	$ (5,041,654)	$ (7,596,301)	$ (9,346,253)
Eligibility (Assumption #8 and #9)	$ 482,431	$ (226,081)	$ (725,871)	$ (1,068,552)
Other Administraion (Assumption #11)	$ (559,678)	$ (1,995,361)	$ (3,006,426)	$ (3,699,013)
Total Expenditures	**$ (1,448,920)**	**$ (7,263,095)**	**$ (11,328,598)**	**$ (14,113,818)**
Funding of Fiscal Impact - Medicaid Administration				
General Fund	$ 10,480,687	$ 7,052,434	$ 2,986,931	$ 201,711
Federal Fund	$ (11,929,607)	$ (14,315,529)	$ (14,315,529)	$ (14,315,529)
Total Funding	**$ (1,448,920)**	**$ (7,263,095)**	**$ (11,328,598)**	**$ (14,113,818)**
Overall Fiscal Impact				
General Fund	$ 453,528,366	$ 354,384,910	$ 198,849,796	$ 91,450,488
Federal Fund	$ (699,018,742)	$ (842,863,491)	$ (849,816,881)	$ (856,815,446)
Total Funding	**$ (245,490,377)**	**$ (488,478,580)**	**$ (650,967,085)**	**$ (765,364,958)**

Department of Corrections (DoC)

1. From FY 2020 through FY 2024, the department averaged $297,813 of inpatient claims per year. For purposes of this fiscal note, the department is using this figure to estimate the ongoing annual increase to DoC medical expenses as a result of fully covering inpatient claims for offenders.
2. Per the Center for Medicare and Medicaid Services, health care costs grew an average of 4.1% per year over

the last decade. Based on this, the department assumed an annual 4.1% increase to anticipated medical expenses for fiscal years 2027 through 2029.

3. For FY 2026, the department has prorated these expense to reflect a September 1 implementation.

Fiscal Analysis Table

Department of Corrections

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
Expenditures				
Operating Expenses	$248,178	$310,023	$322,734	$335,967
TOTAL Expenditures	**$248,178**	**$310,023**	**$322,734**	**$335,967**
Funding of Expenditures				
General Fund (01)	$248,178	$310,023	$322,734	$335,967
TOTAL Funding of Expenditures	**$248,178**	**$310,023**	**$322,734**	**$335,967**
Revenues				
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($248,178)	($310,023)	($322,734)	($335,967)

Department of Public Health and Human Services

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	6.50	-3.10	-9.70	-14.30
TOTAL Fiscal Impact	**6.50**	**-3.10**	**-9.70**	**-14.30**
Expenditures				
Operating Expenses	($1,448,920)	($7,263,096)	($11,328,598)	($14,113,818)
Benefits	($244,041,456)	($481,215,485)	($639,638,487)	($751,251,140)
TOTAL Expenditures	**($245,490,376)**	**($488,478,581)**	**($650,967,085)**	**($765,364,958)**
Funding of Expenditures				
General Fund (01)	$453,528,366	$354,384,910	$198,849,796	$91,450,488
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
TOTAL Funding of Expenditures	**($245,490,376)**	**($488,478,581)**	**($650,967,085)**	**($765,364,958)**
Revenues				
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
TOTAL Revenues	**($699,018,742)**	**($842,863,491)**	**($849,816,881)**	**($856,815,446)**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($453,528,366)	($354,384,910)	($198,849,796)	($91,450,488)
Federal Special Revenue (03)	$0	$0	$0	$0

STATEWIDE SUMMARY

	FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference
Fiscal Impact				
FTE	6.50	-3.10	-9.70	-14.30
TOTAL Fiscal Impact	**6.50**	**-3.10**	**-9.70**	**-14.30**
Expenditures				
Operating Expenses	($1,200,742)	($6,953,073)	($11,005,864)	($13,777,851)
Benefits	($244,041,456)	($481,215,485)	($639,638,487)	($751,251,140)
TOTAL Expenditures	**($245,242,198)**	**($488,168,558)**	**($650,644,351)**	**($765,028,991)**
Funding of Expenditures				
General Fund (01)	$453,776,544	$354,694,933	$199,172,530	$91,786,455
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
TOTAL Funding of Expenditures	**($245,242,198)**	**($488,168,558)**	**($650,644,351)**	**($765,028,991)**
Revenues				
Federal Special Revenue (03)	($699,018,742)	($842,863,491)	($849,816,881)	($856,815,446)
TOTAL Revenues	**($699,018,742)**	**($842,863,491)**	**($849,816,881)**	**($856,815,446)**
Net Impact to Fund Balance (Revenue minus Funding of Expenditures)				
General Fund (01)	($453,776,544)	($354,694,933)	($199,172,530)	($91,786,455)
Federal Special Revenue (03)	$0	$0	$0	$0

Significant Long-Term Impacts

Department of Public Health and Human Services

1. Medicaid Expansion expenditures will continue into the 2031 biennium, and possibly beyond, while expenditures will continue to decline each year, they would continue to require 100% state funding.

Department of Corrections (DoC)

2. Currently, 53-6-1312, MCA, allows the DoC to reimburse health care services for individuals in the custody of the Department at Medicaid rates. Upon disenrollment of the last HELP enrollee, the DoC will have to pay higher market rates for those same services. From FY 2020 through FY 2024, the difference between costs billed by medical providers for offender care and the amounts reimbursed based on 53-6-1312, MCA, averaged $14,629,777 per year. Because the last person to be disenrolled from HELP is not anticipated until after the 2029 Biennium, those additional costs are not reflected in this fiscal note.

Technical Concerns

Department of Public Health and Human Services

1. Transitioning individuals with a Severe and Disabling Mental Illness (SDMI) from Medicaid expansion to the WASP waiver will require an 1115 waiver amendment.
2. Previously CMS determined that Medicaid expansion was an all or nothing proposition; that States could not elect to cover some parts of the Medicaid expansion population (and get the enhanced FMAP) while omitting other parts of the Medicaid expansion population. Further, the department is unable to identify existing federal authority that would provide for the continued existence of the HELP Act upon the implementation of SB 62 as currently written.
3. Section 1(3) gives the Department discretion, in the event of a loss or decrease in federal matching funds for existing enrollees, to include additional or conditional measures to further increase program integrity, limit spending, and promote self-sufficiency, including but not limited to community engagement requirements, biannual redeterminations, a suspension of the use of prepopulated forms and automatic renewal of eligibility based on available information, and a lifetime benefit limit for able-bodied adults., but does not

require the Department to do so. Due to the high number of scenarios Section 1(3) could produce and the significant variance of fiscal impact for each, the Department has not included such assumptions in this fiscal note.

Department of Corrections (DoC)

4. Currently, 53-6-1312, MCA, allows the DoC to reimburse health care services for individuals in the custody of the Department at Medicaid rates. Upon disenrollment of the last HELP enrollee, the DoC will have to pay higher market rates for those same services. If 56-6-1312, MCA, is repealed sooner, DoC costs for health care services for inmates will increase by approximately $14.6 million per year.
5. It is unclear how the implementation of this bill would impact the HEART waiver. This waiver, when fully implemented, would allow for Medicaid coverage of offenders 30 days prior to their release. The department is likely to see some savings from implementation of the HEART waiver, although those savings cannot yet be quantified.
6. Many offenders in pre-release centers are currently covered by expanded Medicaid, and utilize this coverage to continue care they received in prison for things such as mental illness, chronic disease, or substance abuse. Without this coverage, these offenders may be more likely to cease their treatments upon release, which could increase their risk for reoffending. Higher recidivism rates increase the prison population, which results increased costs, however, the department is unable to quantify this potential fiscal impact.

NO SPONSOR SIGNATURE

Sponsor's Initials	Date	Budget Director's Initials	Date
	1/10/25		1/7/2025