Current Medicaid Policy and Fiscal Landscape

LEGISLATIVE FISCAL DIVISION

LEGISLATIVE SERVICES DIVISION

Presentation Overview

- Overview of State Managed Care Plans
- Traditional Medicaid
- Expanded Medicaid
- Children's Health Insurance Program (CHIP)
- Recent Federal Changes
- Program Integrity

State-Managed Health Care Programs

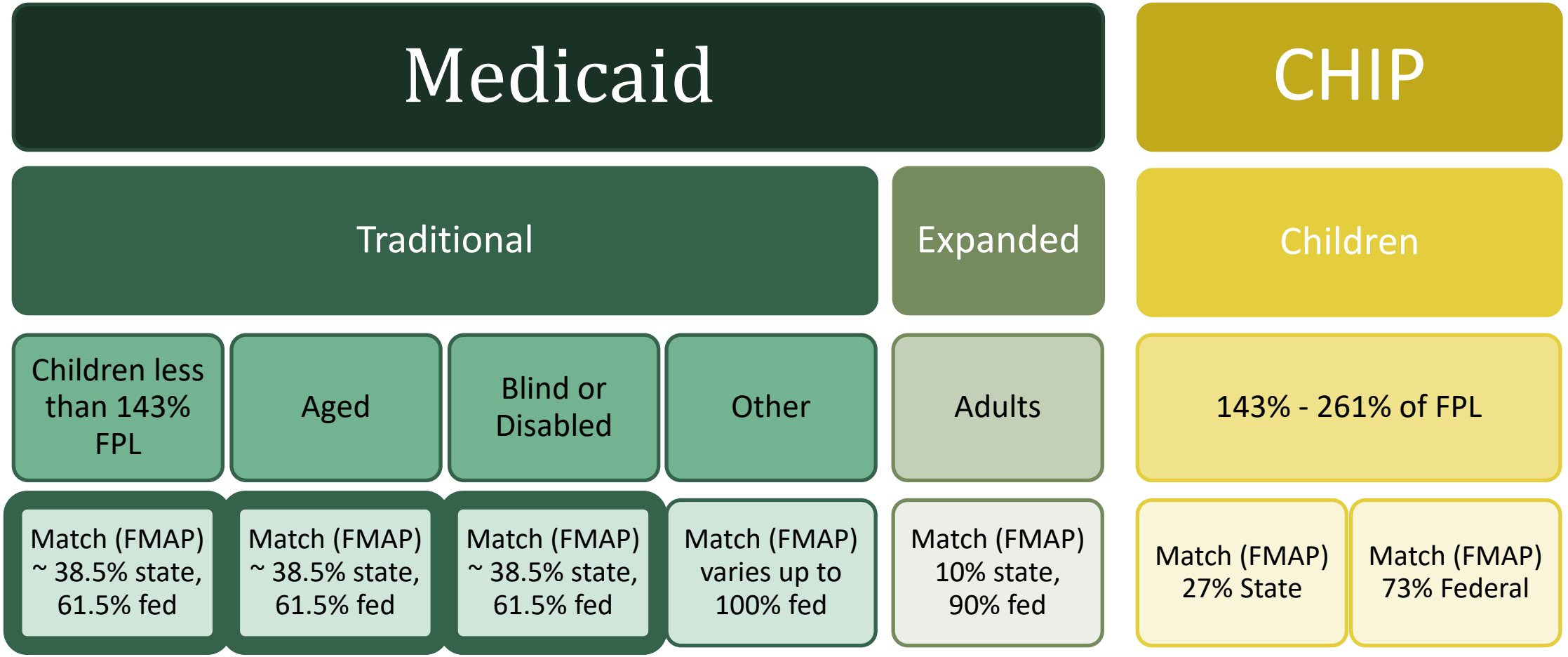
Medicaid

- For **persons with low incomes only**
- Began by the Federal Government in 1965
- Funded by both the state and federal governments
- Traditional population includes aged, disabled, and children
- Expansion population includes all others with low incomes regardless of age

CHIP

- Began by the Federal Government in Balanced Budget Act of 1997 and enacted Title XXI of the Social Security Act. CHIP is a joint state-federal partnership that provides health insurance to low-income children
- Covers children ages 0-18 above the income limitations of Medicaid and below 261% of poverty

State Managed Health Care Programs



Income relative to poverty level impacts access to state managed health care

Percent FPL by Family Size Based on 2026 Federal Poverty Guidelines				
Family Size	Annual Household Income			
	100%	138%	143%	157%
1	$15,960	$22,025	$22,823	$25,057
2	21,640	29,863	30,945	33,975
3	27,320	37,702	39,068	42,892
4	33,000	45,540	47,190	51,810
5	38,680	53,378	55,312	60,728
6	44,360	61,217	63,435	69,645
7	50,040	69,055	71,557	78,563
8	55,720	76,894	79,680	87,480

Mandatory & Optional Medicaid Services

Mandatory

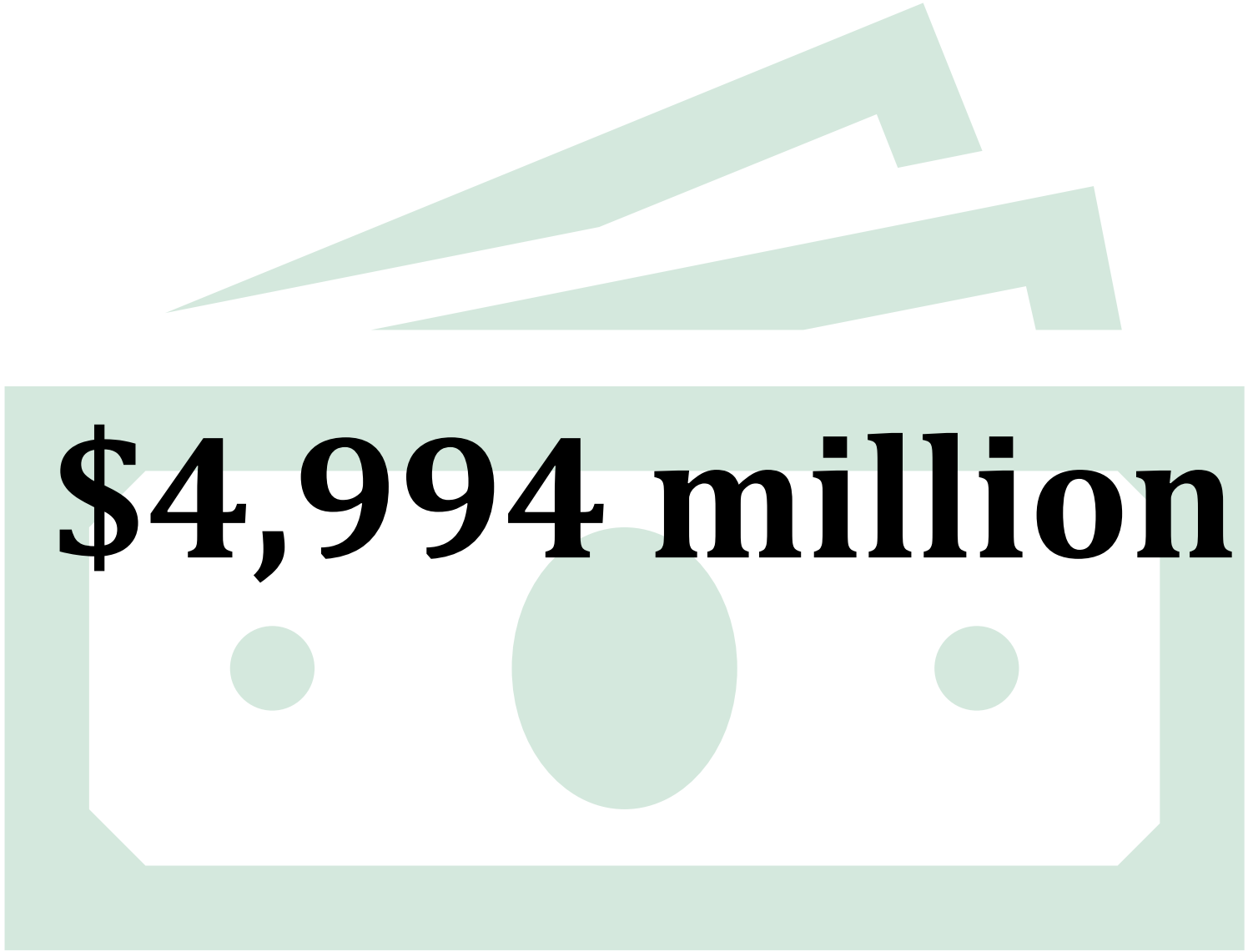
- Physician & Nurse Practitioner
- Nurse Midwife
- Medical & Surgical Service of a Dentist
- Laboratory and X-ray
- Inpatient Hospital (excluding institutions for mental disease)
- Outpatient Hospital
- Federally Qualified Health Centers (FQHCs)
- Rural Health Clinics (RHCs)
- Family Planning
- Early and Periodic Screening, Diagnosis and Treatment (EPSDT)
- Nursing Facility
- Home Health
- Durable Medical Equipment
- Transportation

Optional

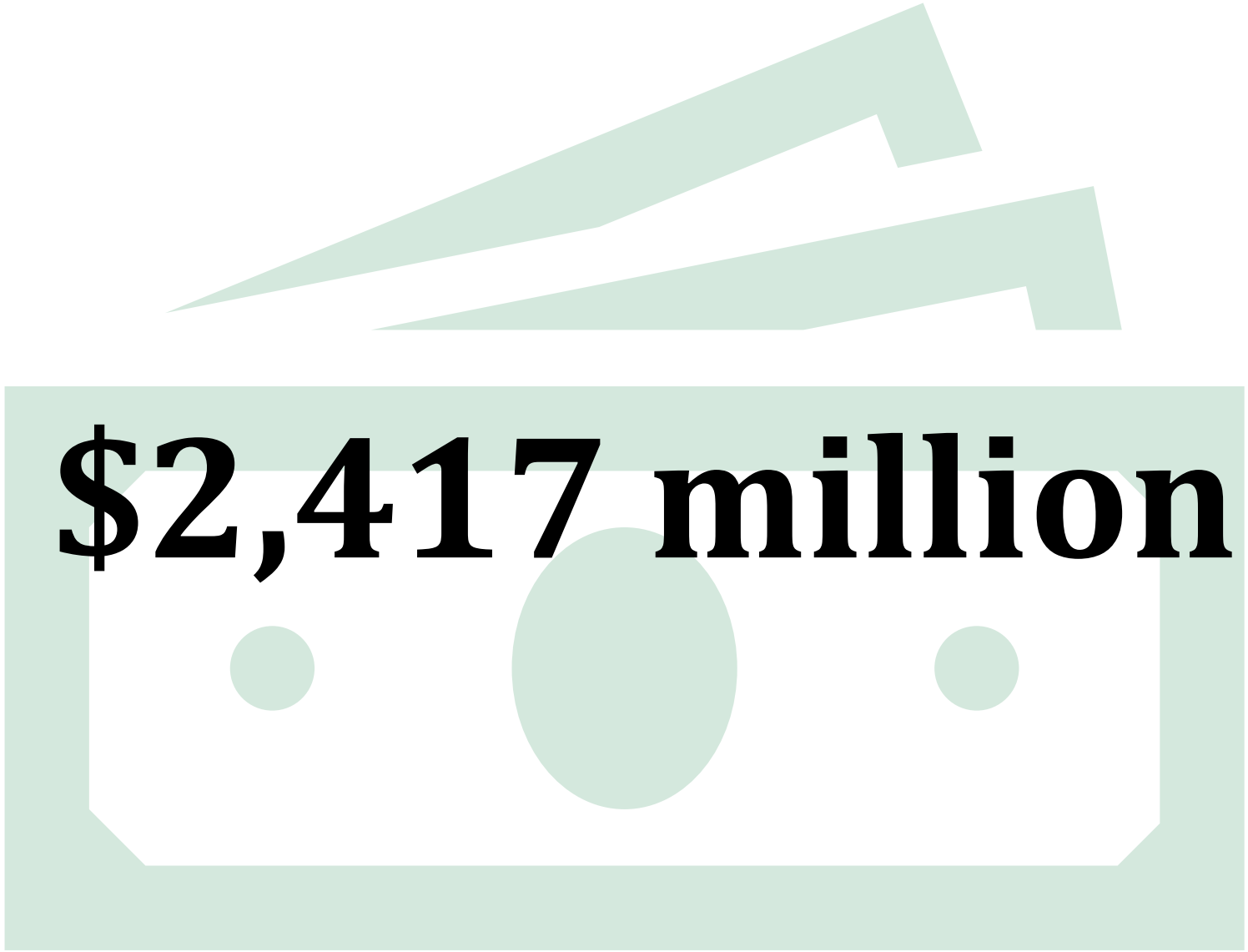
- Outpatient Drugs
- Dental and Denturist Services
- Comprehensive Mental Health Services
- Ambulance
- Physical & Occupational Therapies and Speech Language Pathology
- Home & Community Based Services
- Eyeglasses & Optometry
- Personal Assistance Services
- Targeted Case Management
- Podiatry
- Community First Choice

2027 Biennium Legislative Budget

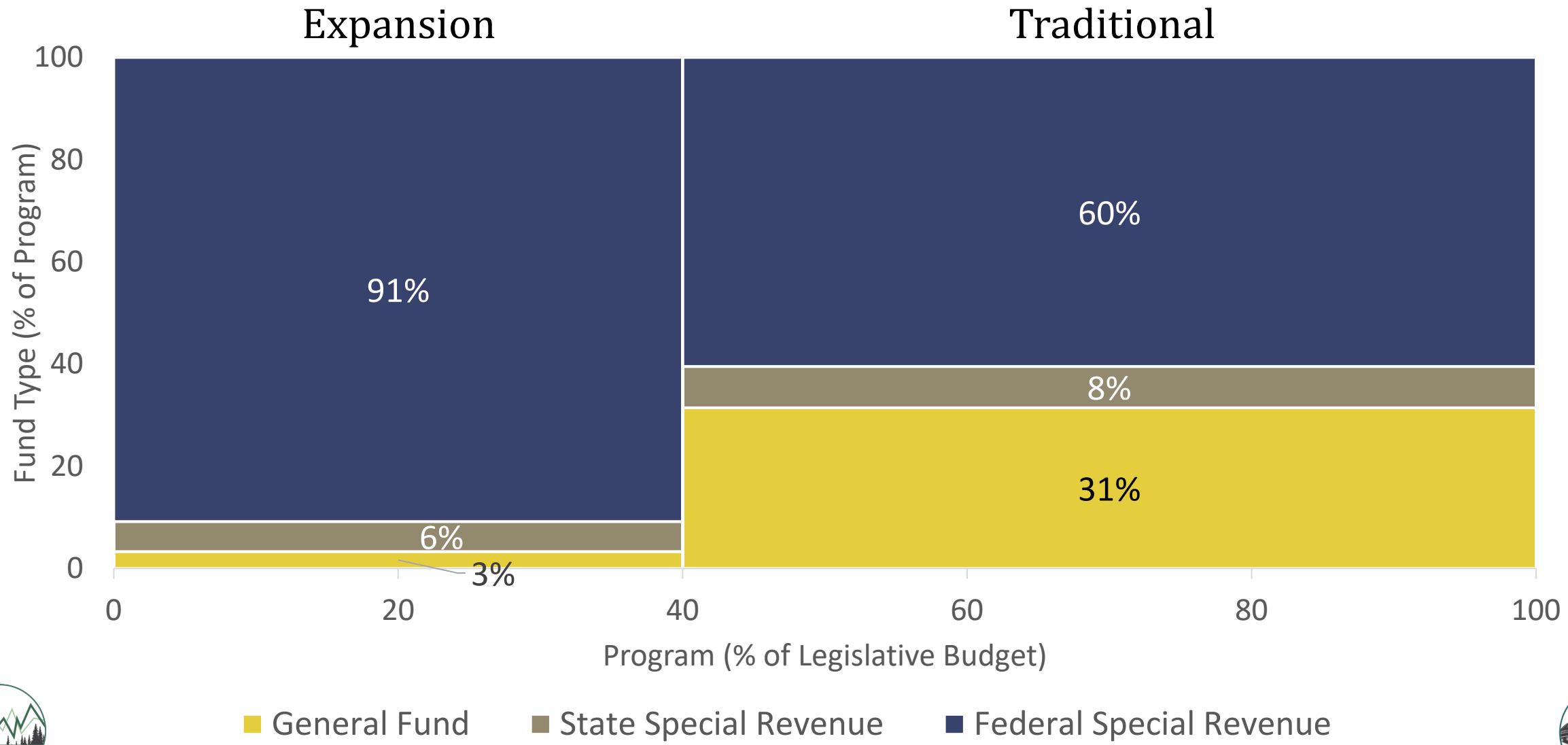
(FY 2026 and FY 2027)



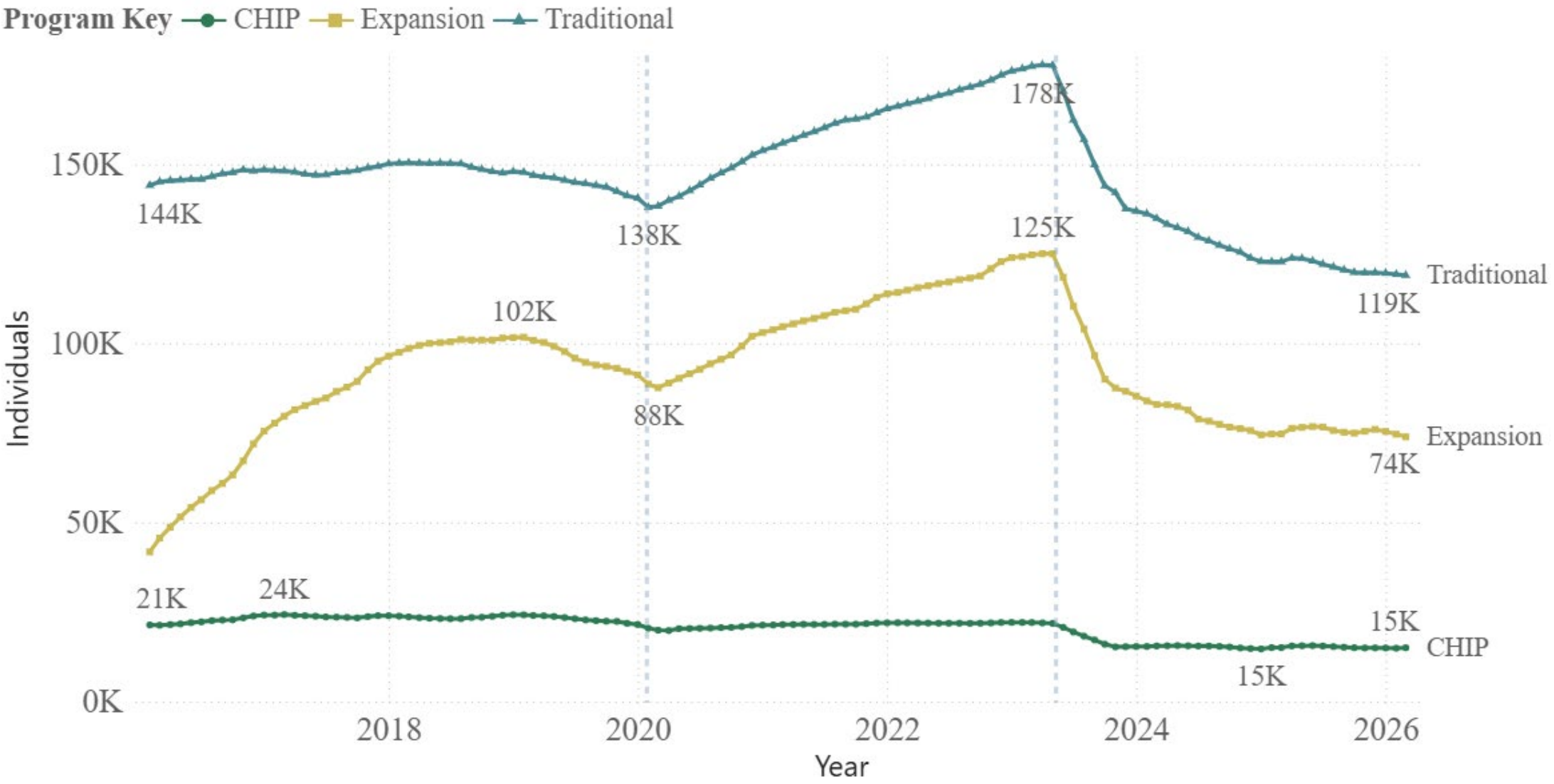
FY 2026 Legislative Budget



FY 2026 Legislative Budget by Program and Fund Type

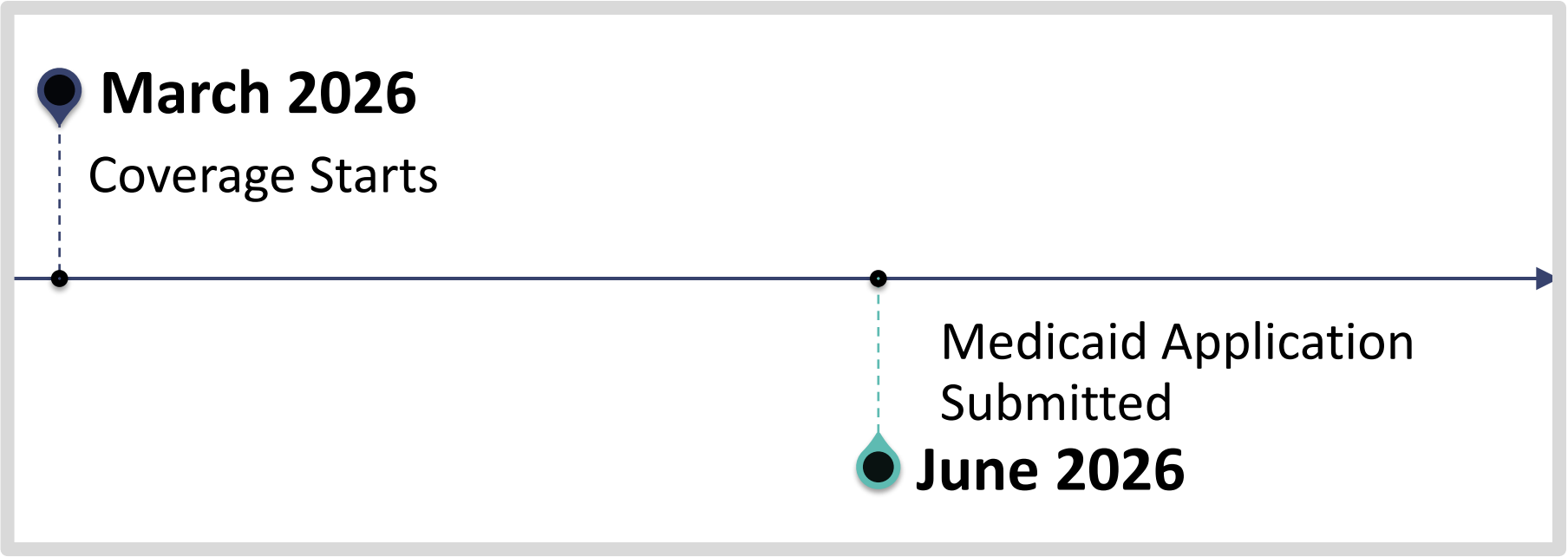


Medicaid Enrollment Trends

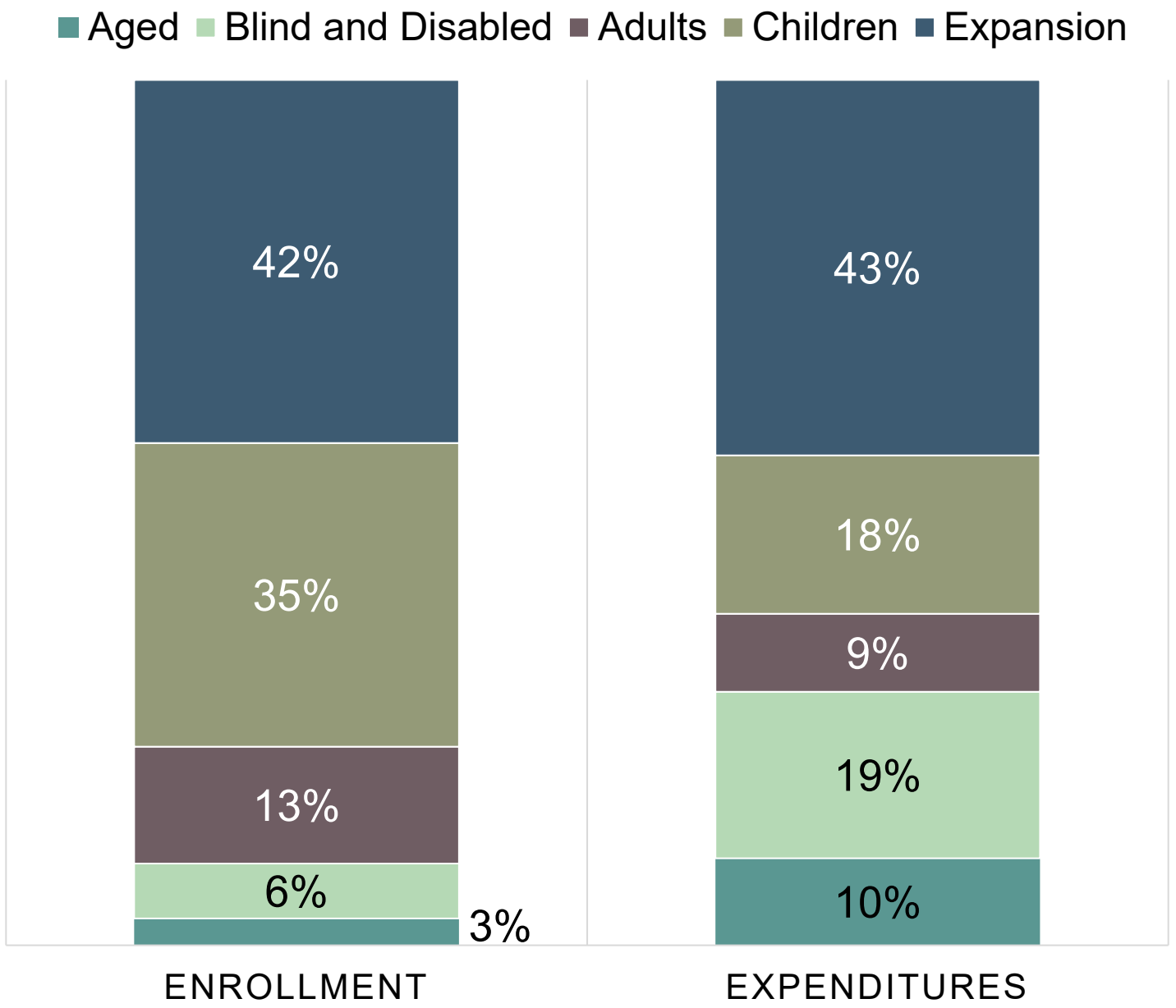


Retroactive Eligibility

Why March Data?

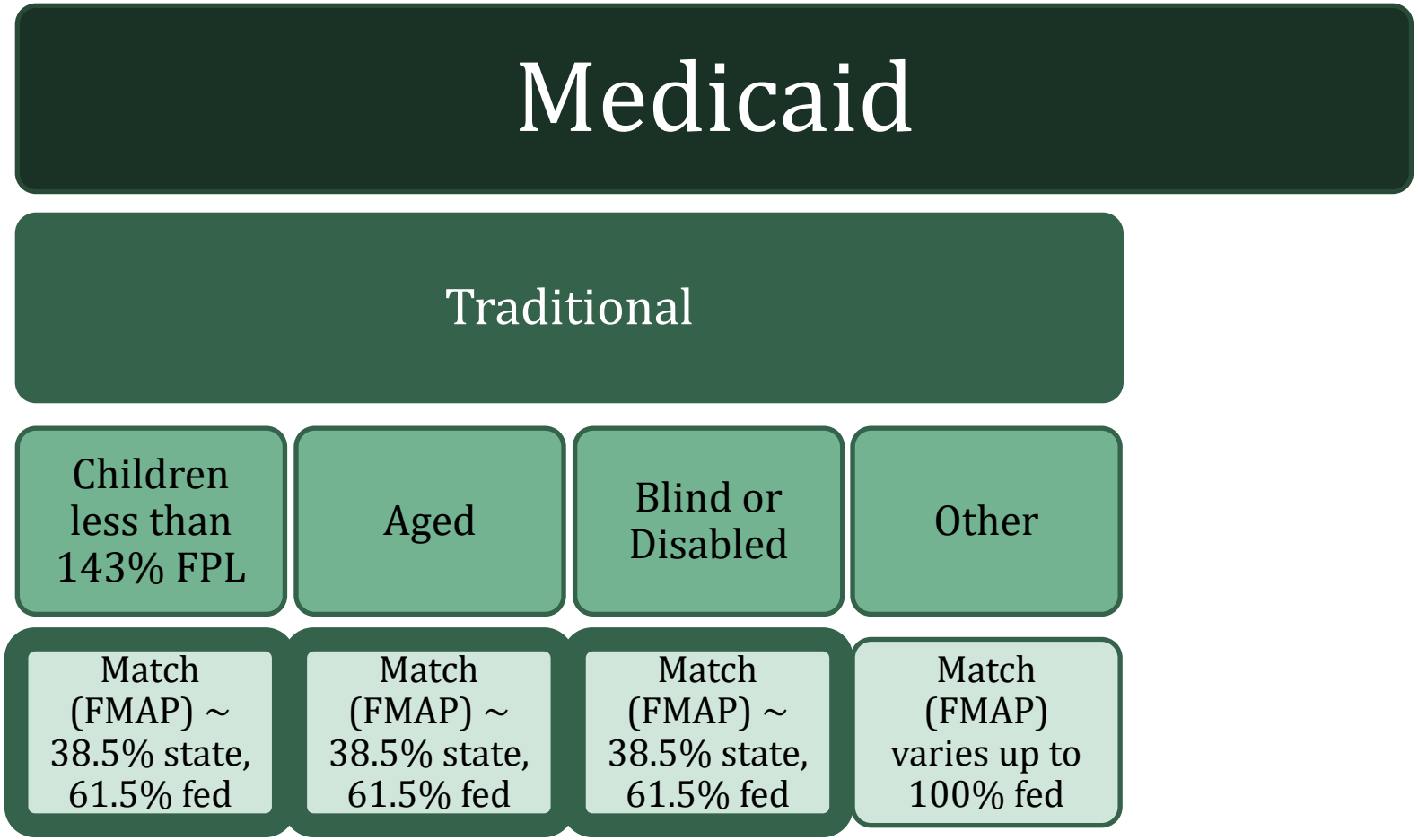


Medicaid Enrollment and Expenditures by Major Aid Categories in 2023



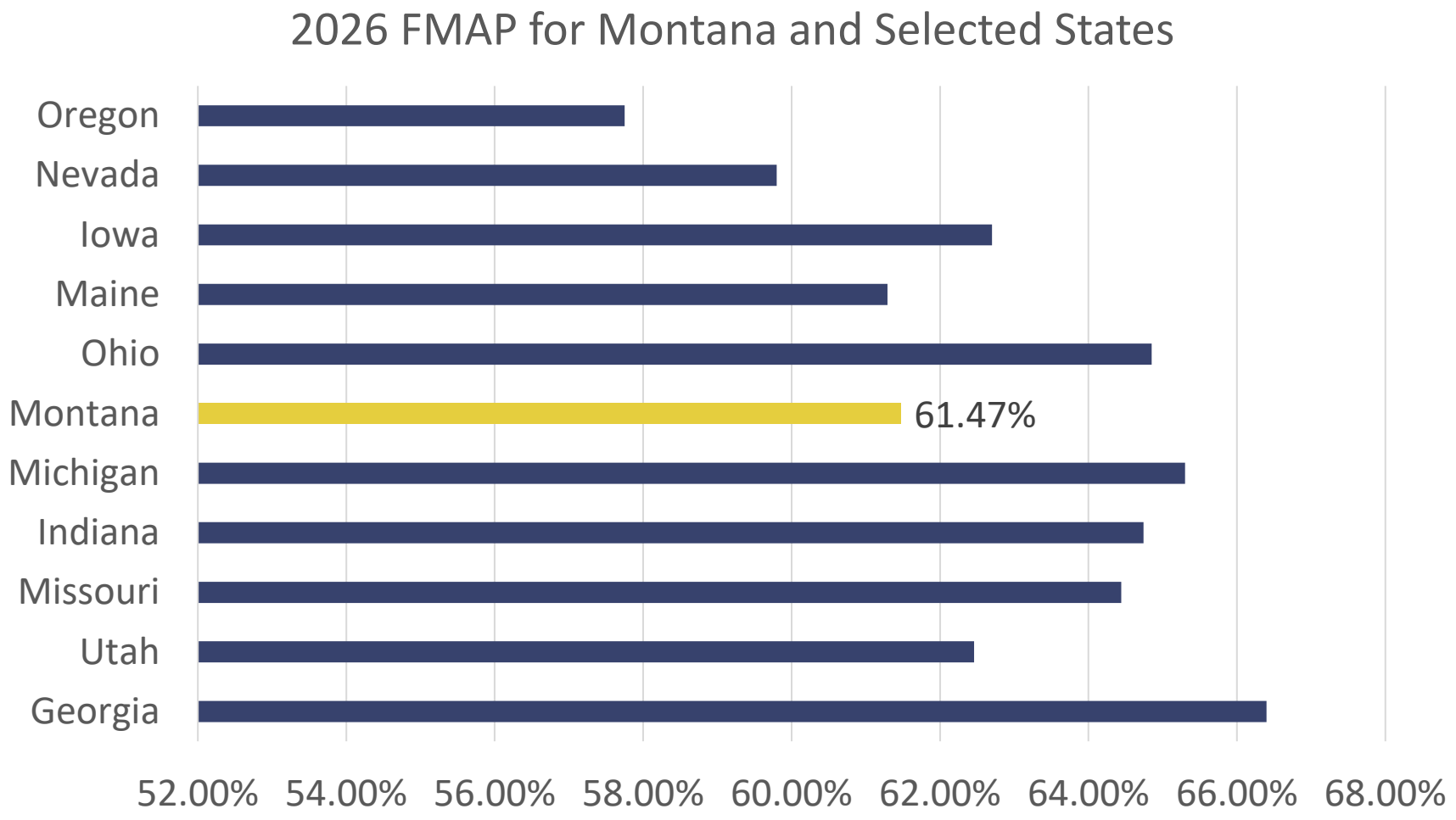
*Graphic and data from DPHHS *Medicaid in Montana* Report https://dphhs.mt.gov/assets/Archive/2025Legislature/MedicaidReport2025.pdf

Traditional Medicaid



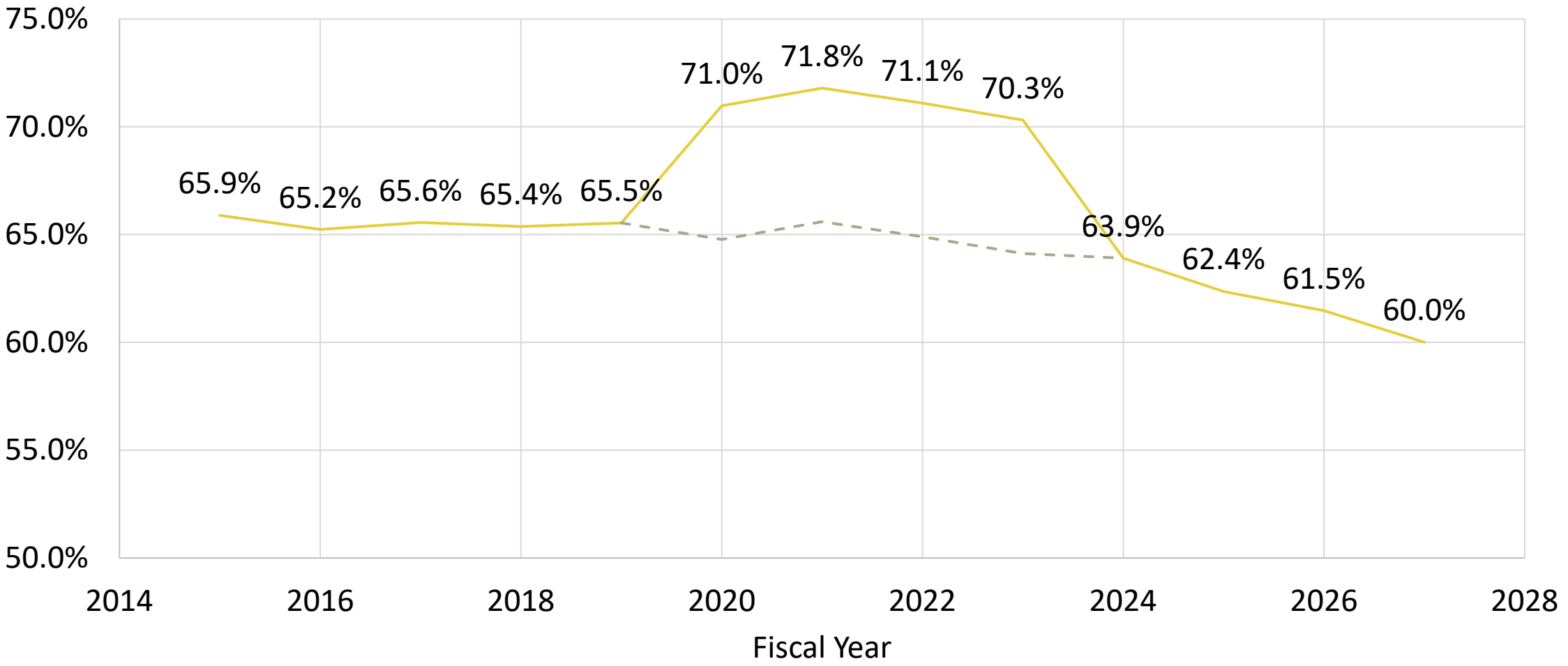
Federal Medical Assistance Percentage (FMAP)

The FMAP calculation compares the per capita income (PCI) for each state to the US PCI.

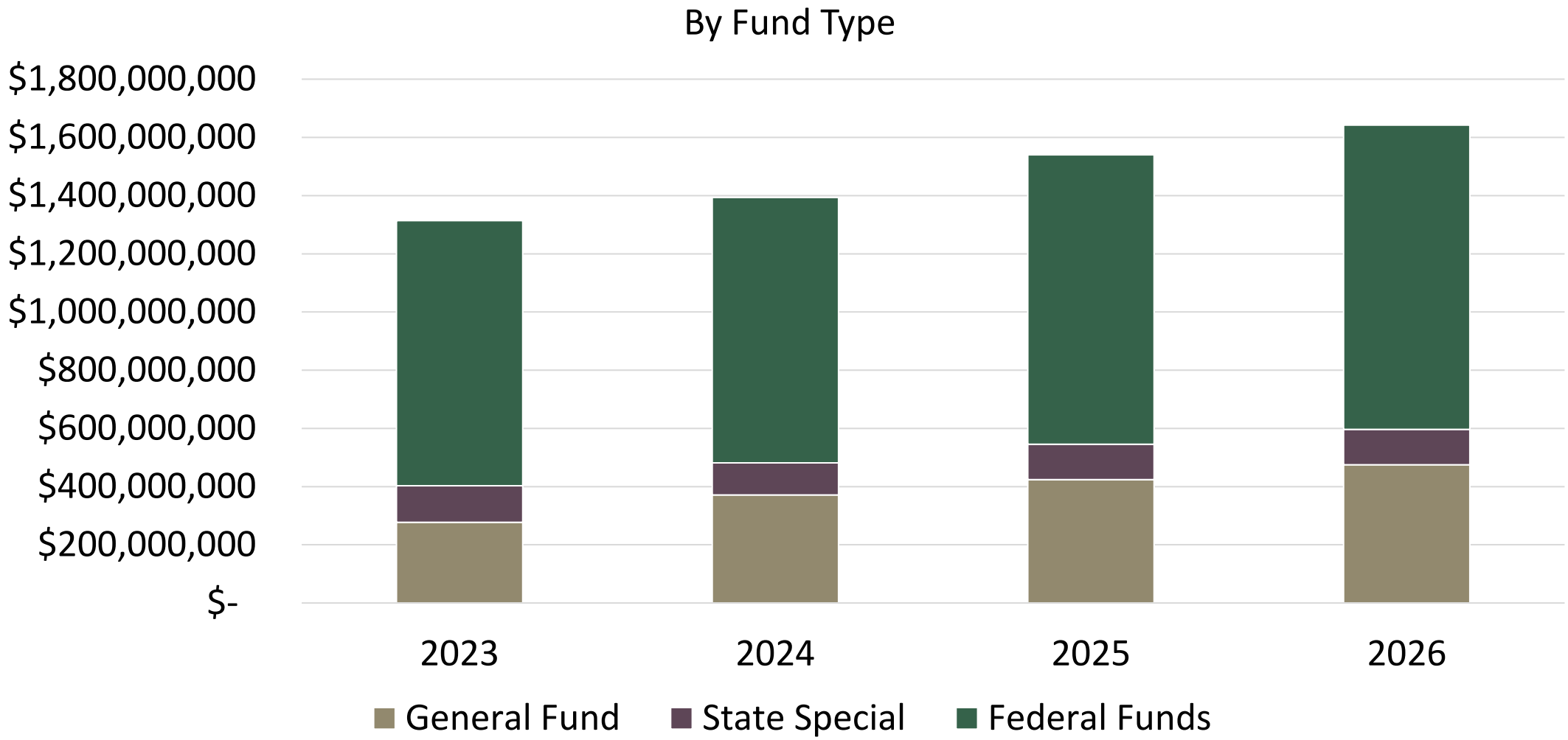


*More information is available in the Legislative Fiscal Division FMAP guide

Historical Trends



Traditional Medicaid Expenditures FY 2023 - FY 2026*



*FY 2026 is a projection.

Montana Medicaid Waivers

- State Medicaid programs may request a waiver of certain federal Medicaid requirements from **Centers for Medicare & Medicaid Services (CMS)**
  - **Comparability** - Medicaid-covered benefits must be provided in the same amount, duration, and scope to all enrollees.
  - **Freedom of choice** - Beneficiaries have the choice of any provider participating in the Medicaid program.
  - **State applicability** – Enrollees or providers are not allowed to be excluded from the Medicaid program because of where they live in the state
- For approval, states must demonstrate budget neutrality and report regularly

Waivers in Montana

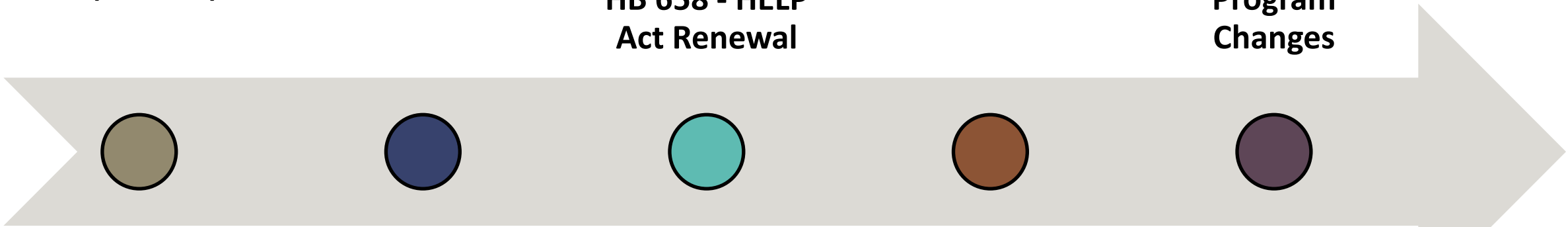
- Home and Community-Based Waiver for Individuals with Developmental Disabilities (0208)
- Hope Waiver
- Passport to Health
- Healing and Ending Addiction Through Recovery and Treatment (HEART) *
- Waiver for Additional Services and Populations (WASP) *
- Big Sky (Elderly and Physically Disabled) *
- Plan First Family Planning Demonstration *

*Expands services to individuals not otherwise eligible for Medicaid.

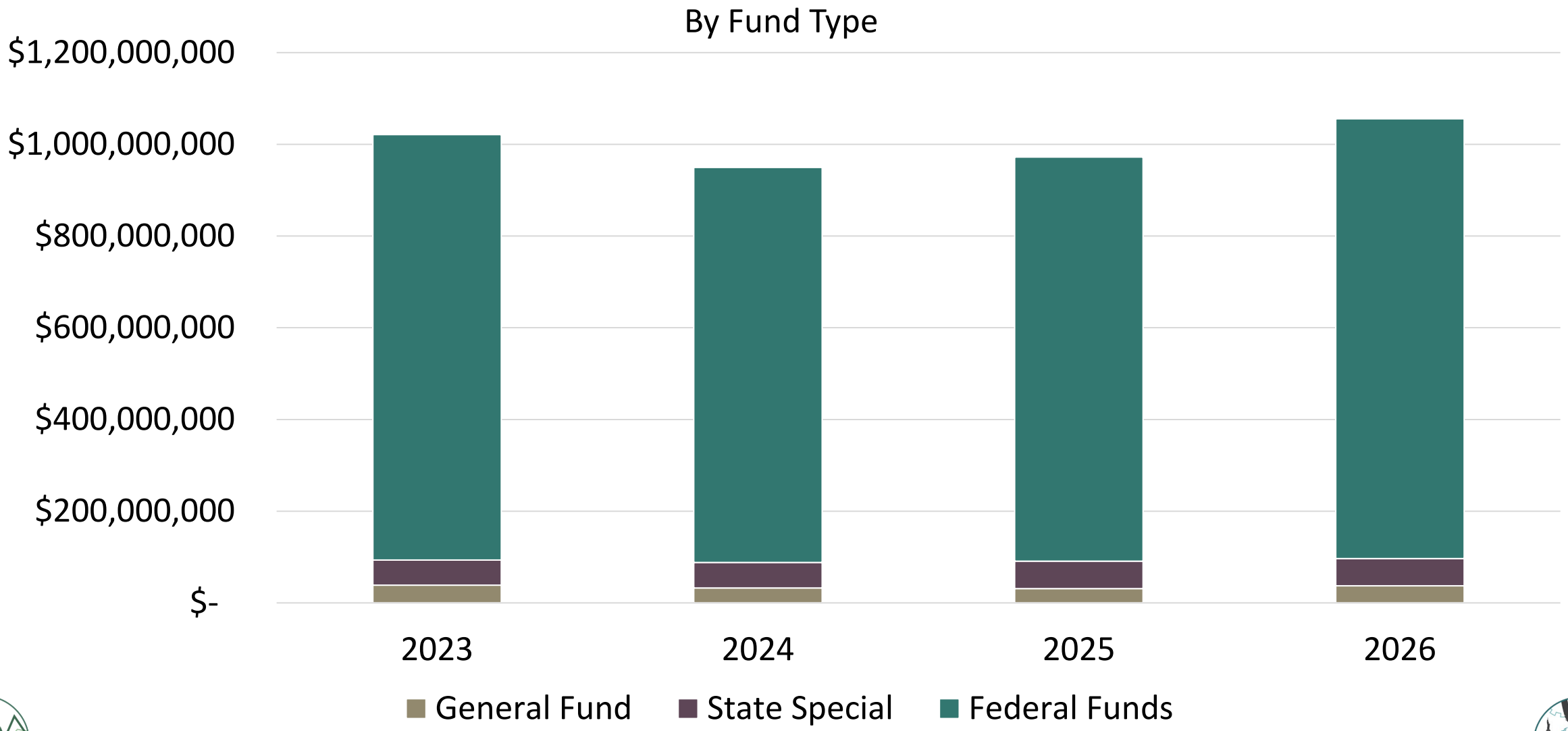
For additional information on waivers in Montana, please review the Legislative Fiscal Division waiver brochure.

Medicaid Expansion

Medicaid Expansion Timeline

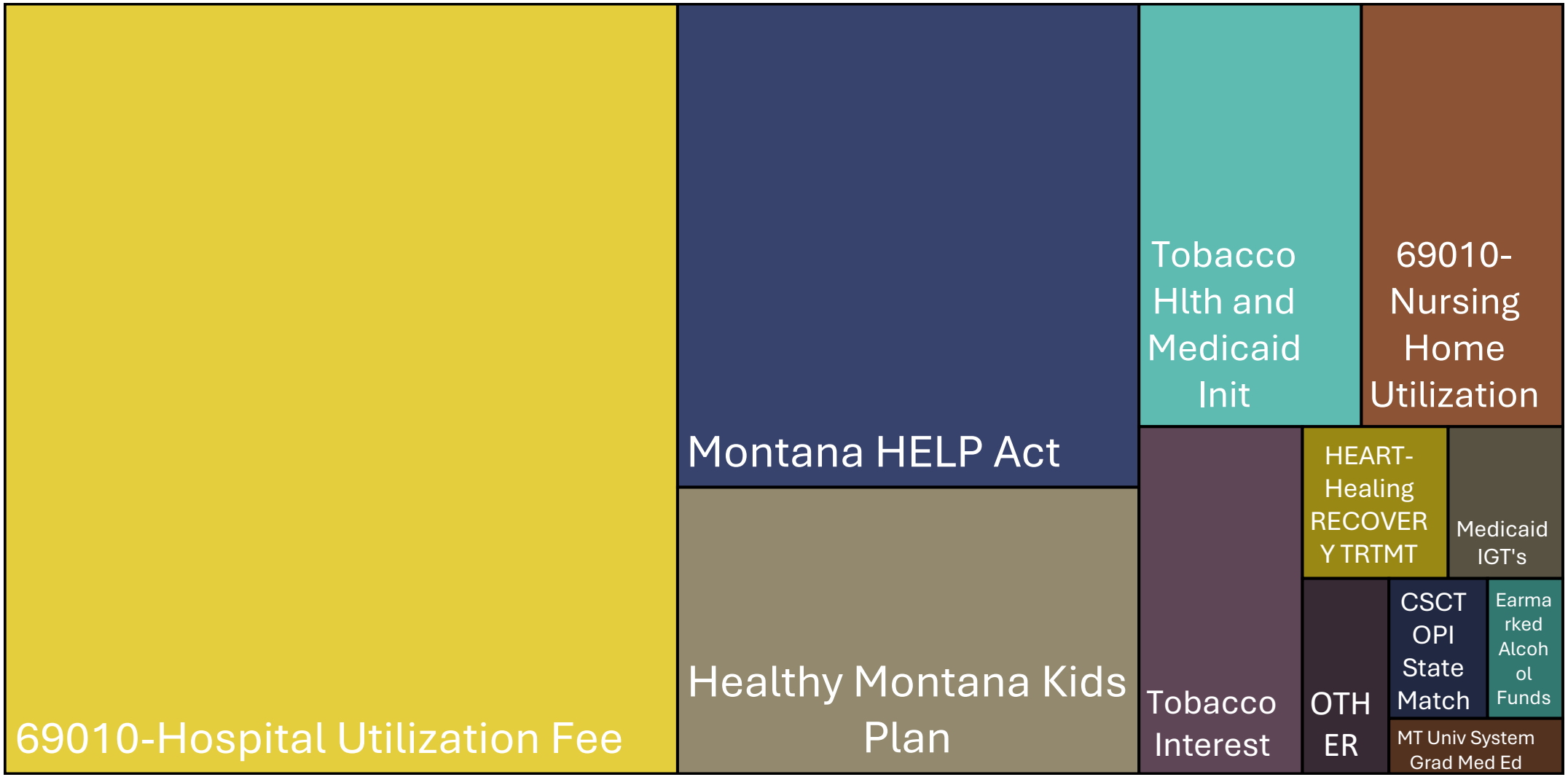


Medicaid Expansion Expenditures FY 2023 - FY 2026*



*FY 2026 is a projection.

State Special Revenue Funds Used for Medicaid in FY 2026



Spend through May 30, 2026 Benefits and Claims Only

State Managed Health Care for Children

Medicaid

Traditional

Children less than 143% FPL

Match (FMAP) ~ 38.5% state, 61.5% fed

CHIP

Children

143% - 261% of FPL

Match (FMAP) 27% State

Match (FMAP) 73% Federal

How are Children Covered?

Healthy Montana Kids Program Funding				
HMK Plus (Medicaid Coverage)			HMK (CHIP Coverage)	
	0%-100% FPL	101%-143% FPL	143%-261% FPL	
Ages 0-6	Medicaid FMAP	Medicaid FMAP	CHIP FMAP	Ages 0-6
Ages 6-18	Medicaid FMAP	CHIP FMAP	CHIP FMAP	Ages 6-18

CHIP Budget and Expenditures

CHIP Budget, FY 2023 - FY 2026				
	FY 2023	FY 2024	FY 2025	FY 2026
General Fund	$ 8,382,237	$ 6,614,142	$ 5,714,964	$ 7,242,675
State Special Funds	13,382,759	16,863,771	20,347,191	21,393,777
Federal Funds	87,593,845	75,424,781	83,734,896	77,984,924
Grand Total	$ 109,358,841	$ 98,902,694	$ 109,797,051	$ 106,621,376

CHIP Expenditures, FY 2023 - FY 2026				
	FY 2023	FY 2024	FY 2025	FY 2026*
General Fund	$ 6,328,147	$ 6,254,192	$ 3,851,408	$ 6,145,088
State Special Funds	15,521,784	17,133,364	22,308,340	21,714,860
Federal Funds	79,275,476	71,816,837	74,195,182	81,623,017
Grand Total	$ 101,125,407	$ 95,204,393	$ 100,354,930	$ 109,482,965

Recent Federal Changes to State Managed Healthcare Programs

Community Engagement	Eligibility Redetermination	Cost Sharing
January 1, 2027*	January 1, 2027*	October 1, 2028
80 hours/month either at work or job training, in school, or volunteering	Every 6 months change from every 12 months	Capped at $35/service OR 5% of income
Various Populations Exempted	Retroactive eligibility of 30 days change from 90 days	Conflicts with current state law which prohibits copayments and specifically calls for monthly premium paid by participants, which is prohibited by H.R. 1

*DPHHS seeking waiver to implement early

Renewal Process

Individuals are granted 6 months* of Medicaid Coverage

If in that time the department receives information that indicates a member had a change in circumstances, they are required to re-assess if the member still qualifies

The department may send a request for further information from the member in order to retain coverage

If found ineligible, DPHHS must terminate their coverage

After a 6-month* period of coverage, the individual is reassessed for eligibility and granted a further 6 months* of coverage or deemed ineligible

*Prior to the passage of HR 1 in July 2025, individuals were granted 12 months of coverage. This change will take effect after December 31, 2026.

Ex Parte Renewals

- Montana Medicaid attempts ex parte renewals for its members.
- This type of renewal allows DPPHS to verify a member's ongoing eligibility using state and federal databases with recent information. DPHHS provided a table of what sources it may use for ex parte renewals in a document dated April 2. (See Appendix)
- If the state can successfully confirm a member's income and household details, they will be automatically renewed and will receive a confirmation notice. If the state cannot verify a member's eligibility, they must complete a traditional redetermination process.
- Beginning on January 1, 2027 redetermination occurs every six months (instead of annually). American Indian and Alaska Native members remain on the annual redetermination schedule.

Community Engagement Requirements

Unless exempted, members must:

Complete 80 hours/month of qualifying activities, or

Have a qualifying monthly income: at least federal minimum wage x 80 hours ($580 at $7.25)

Qualifying Activities:

- Working at a job
- Community service or volunteering
- Workforce training or job readiness programs through the State of Montana (e.g. HELP-Link)
- Going to school (college or vocational school)
- Mixing activities (i.e. 60 hours work + 20 hours volunteering)

Exemptions

- American Indian/Alaska Natives
- Children ages 18 or younger
- Adults ages 65 or older
- Pregnant and postpartum individuals (up to12 months)
- Former foster youth
- Parents/caregivers of children under age 14
- Parents/caregivers of persons with disabilities
- Veterans with total disability ratings
- People who are medically frail (definition evolving; see Appendix)
- People enrolled in substance use disorder treatment
- Currently incarcerated or recently released individuals
- Individuals eligible for Medicare
- SSI or SSDI recipients

Exemptions (Continued)

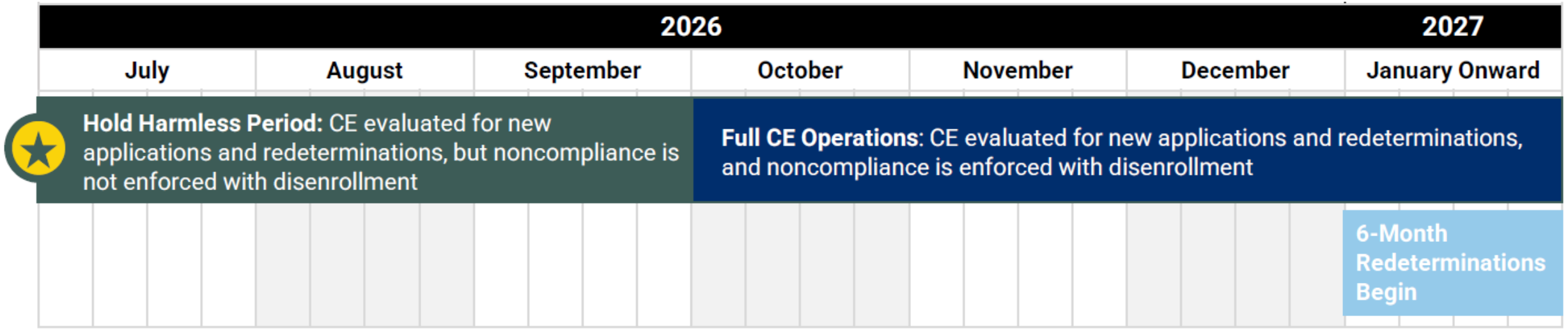
- People experiencing one of the following short-term hardship events:
  - Receive inpatient hospital services, nursing facility services, services in an intermediate care facility for individuals with intellectual disabilities, inpatient psychiatric hospital services, or similar services
  - Reside in a county where there is a federal emergency or disaster declaration
  - Reside in a county that has an unemployment rate greater than the lesser of 8 % or 1.5 times the national unemployment rate
  - Have necessary travel for medical services not available in the community for a serious medical condition

Community Engagement Compliance

1. Verification
    - States must attempt ex parte verification
        - Limit self-attestation to select exclusion categories
    - Clients can submit forms via self-service portal, mail, in-person drop off

2. Noncompliance Procedures
    - State sends noncompliance notice to Medicaid member
    - Member has 30 days to make "satisfactory showing" of compliance
        - Coverage can't be terminated during this window

Key DPHHS Implementation Dates



- Hold Harmless Period (July 1, 2026 – Sept 30)
  - Non-compliance with CE not enforced
- Full CE Implementation begins October 1, 2026
- 6-month redetermination begins January 1, 2027

*Graphic from DPHHS presentation to Section B Interim Budget Committee on June 22, 2026.

Program Integrity

Program Integrity Overview

- “Medicaid program integrity” is a term that encompasses the policies, systems, and operations used to prevent, detect, and investigate fraud, waste, and abuse in state and federal Medicaid programs.
- Program integrity is a longstanding part of the Medicaid program.
- Like other parts of the program, it is subject to policy changes that reflect current priorities and concerns.
- Evolved from decentralized state-level oversight when Medicaid program was established in 1965 to a robust, data-driven federal-state partnership.

Fraud: Medicaid provider or member intentionally provides false information to get a Medicaid agency to cover care or service

Waste: Medicaid provider or member acts in a way that may not be intentional but is not consistent with accepted medical, fiscal, or business standards

Abuse: Broad term that refers to unintentional overutilization or inappropriate utilization of services in a way that results in unnecessary costs

Fraud, Waste, Abuse

Fraud follows money; waste and abuse follow complexity.

- Fraud and waste are addressed in federal law; can result in criminal, civil, or administrative penalties.
- Abuse is not defined in federal law and generally does not result in penalties.

Improper Payments

Improper payments: payments that should not have been made, were made in the wrong amount, or were not correctly documented.

- The Payment Error Rate Measurement (PERM) measures improper payments in Medicaid. It cannot distinguish between unintentional errors and fraud/abuse; therefore, PERM is not a measurement of fraud.
- According to the National Association of Medicaid Directors, most PERM findings are related to documentation gaps.

Montana's PERM

PERM operates on a three-year cycle moving through all fifty states. States are divided into 17 states per cycle. Montana is in Cycle 3.

2025 PERM:

- Overall Improper Payment Rate: 6.12%
- Fee-for-Service (FFS) Rate: 4.60%
- Eligibility Rate: 4.42%
- Managed Care Component: 0.00%

Per the April 2025 Claim Jumper Bulletin produced by DPHHS, Montana's recent audit was finalized with no statewide penalty.

Key Players in Montana

State

Montana Medicaid Fraud Control Unit (MFCU): Within the Montana Department of Justice, Division of Criminal Investigation.

Montana Office of the Inspector General (OIG): Within DPHHS. Contains Program Investigation Unit and Medicaid Eligibility Quality Control.

The OIG conducts reviews of Medicaid payments, performs quality control of Medicaid, recovers overpayment. It can take administrative action or refer to the MFCU for civil or criminal prosecution.

Key Players in Montana

Federal

Center for Medicare & Medicaid Services, Center for Program Integrity (CMS CPI): Conducts provider enrollment, data analytics, and training for states. Manages the PERM audit.

HHS Office of Inspector General (OIG): Oversees state-level MFCUs. Conducts audits of Medicare and Medicaid.

Federal Bureau of Investigations (FBI): Conducts investigations into health care fraud.

Department of Justice Health Care Fraud Unit (DOJ): Prosecutes healthcare fraud cases.

Core Functions

- ***Prevent*** through benefit and contract design, provider enrollment and revalidation, accurate and documented eligibility actions, provider and member education.
- ***Detect*** using data analytics, regular audits and oversight, and clear reporting pathways.
- ***Investigate*** at the state level or with federal partners.
- ***Address*** civilly, criminally, or administratively through recoupment of funds, provider exclusions, or civil or criminal charges.

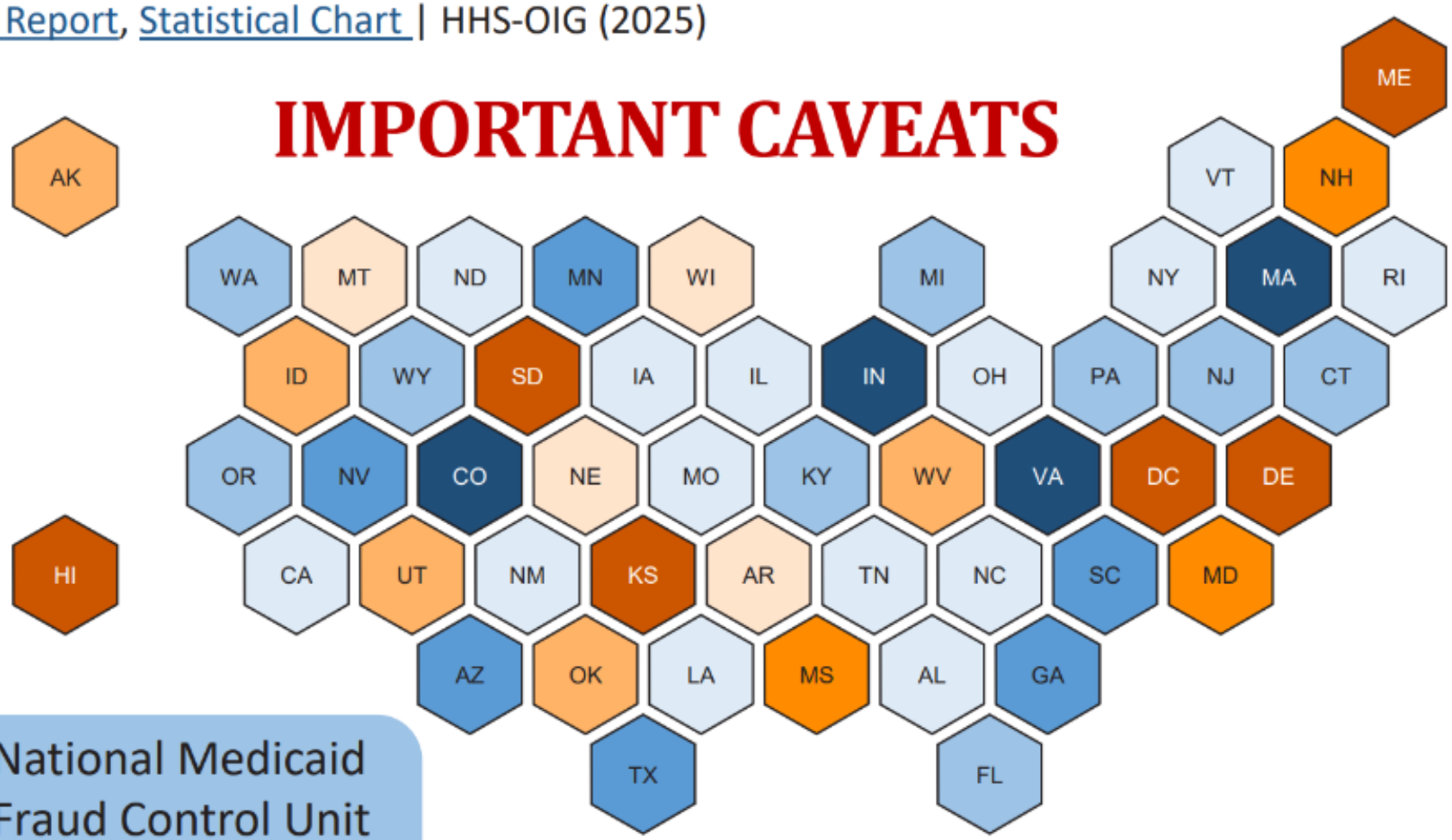
Return on Investment of Medicaid Program Integrity?

Medicaid Fraud Control Units Annual Report, Statistical Chart | HHS-OIG (2025)

IMPORTANT CAVEATS

LEGEND

- Very Low (<$0.25)
- Low ($0.25-$0.49)
- Moderate ($0.50-$0.74)
- Near $1.00 ($0.75-$0.99)
- Near $1.00 ($1.00-$1.99)
- Moderate ($2.00-$4.99)
- High ($5.00-$9.99)
- Very High ($10.00+)
- No data



National Medicaid Fraud Control Unit (MFCU) Return on Investment: **$4.64**

OFFICE OF RESEARCH & POLICY ANALYSIS

Forthcoming Federal Changes

HR1 (the One Big Beautiful Bill Act) implements several changes in program integrity.

- January 1, 2027: More frequent checks for deceased members; address update requirements
- January 1, 2028: More frequent checks for deceased providers
- October 1, 2029: HHS must improve system to prevent enrollment in multiple Medicaid programs; changes to Payment Error Rate Measurement (PERM) program

- PERM changes require HHS to levy fiscal penalties when states have error rates over 3 percent

Policy Options

The National Association of Medicaid Directors, a nonpartisan organization, provided some policy options at a recent Health Policy Seminar hosted by the National Conference of State Legislatures. These slides are in your Appendix.

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