

States Expanding Medicaid See Significant Budget Savings and Revenue Gains

A Presentation to Grantmakers In Health
June 23, 2015

Deborah Bachrach
Partner
Manatt, Phelps & Phillips

Heather Howard
Program Director,
State Health Reform Assistance Network

Support
provided by



Robert Wood Johnson
Foundation

Capturing the Budget Impact of Medicaid Expansion

- One year of state experience with Medicaid expansion
- Relevant to state budget negotiations
- Expansion states worried about sustaining it
- Additional states considering expansion

Interviewed Officials in Eight Expansion States



Economic Benefits of Expansion Consistent Across States

Savings and revenues by the end of 2015 – just 1.5 years into expansion – expected to exceed \$1.8B across all eight states

Highlights:

- Results are now available on the **actual** fiscal impact of Medicaid expansion
- These are early results – additional savings likely
- Savings and revenue gains are consistent across states
- In Arkansas and Kentucky, savings and revenue gains expected to offset expansion costs through SFY 2021

Every expansion state should expect to:

- Reduce state spending on programs for the uninsured
- See savings related to previously eligible Medicaid beneficiaries now eligible for the “new adult” group under expansion
- Increase revenue related to existing insurer and provider taxes



State Savings from Accessing Enhanced Federal Matching Funds

Savings From Accessing Enhanced Federal Matching Funds

Pre-expansion

- States used limited waivers or special eligibility categories to provide Medicaid coverage to targeted individuals
- States were responsible for 30-50% of the cost of covering these individuals

Post-expansion

- Individuals previously eligible under certain pre-ACA eligibility categories are now eligible for Medicaid in the new adult group
- **States receive enhanced federal funding for providing full Medicaid benefits to these populations**



Types of Savings from Accessing Enhanced Federal Matching Funds

Categories Include:



Adult Waiver Populations



Medically Needy



Pregnant Women



Disabled



Family Planning



Breast & Cervical Cancer Treatment Program



Other Targeted Programs (e.g. HIV, Tuberculosis)

Savings Related to Coverage of Pregnant Women



Women enrolled in the new adult group who become pregnant remain in the new adult group; states continue to receive enhanced federal match

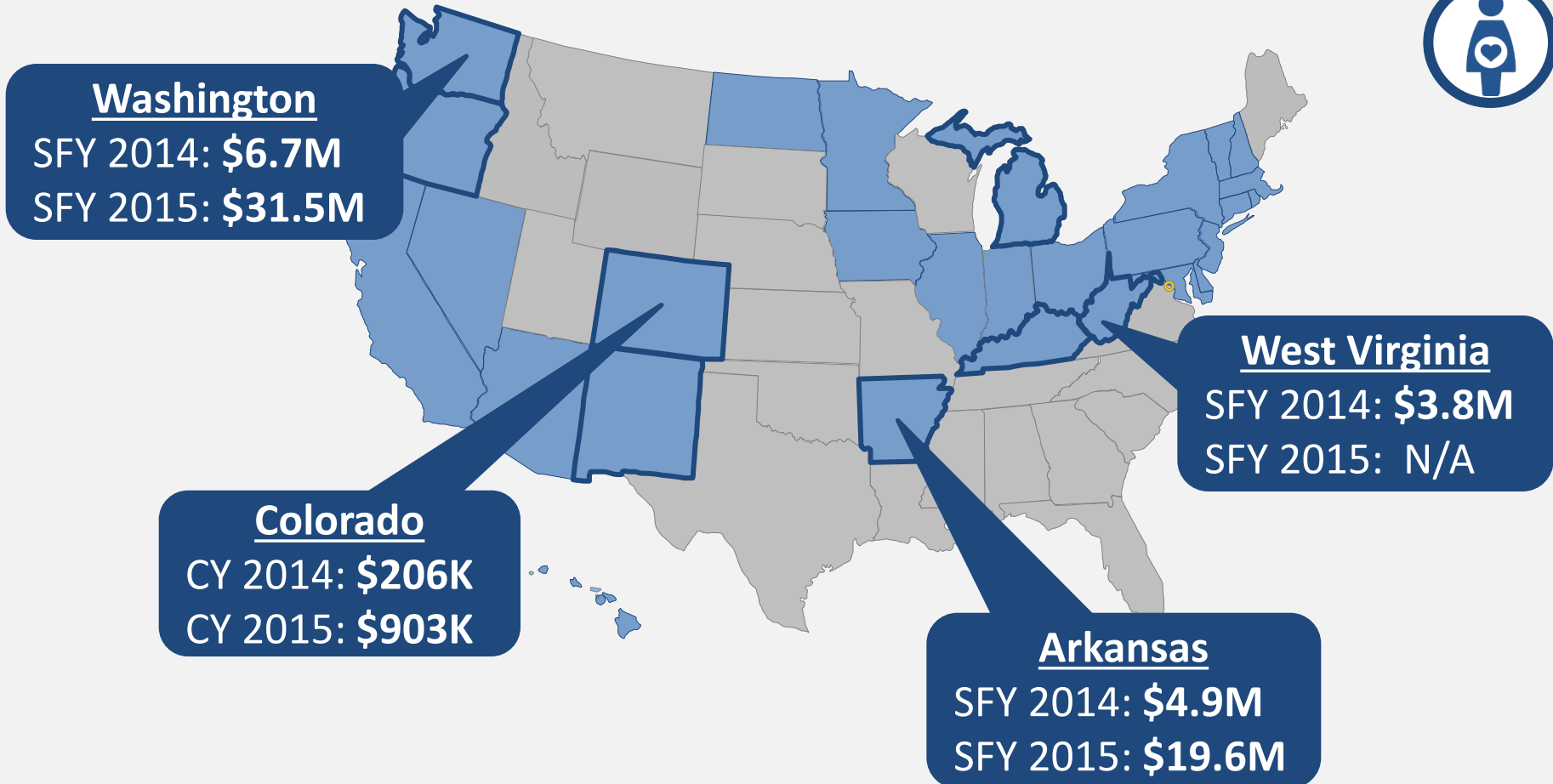
Breaking it Down

States accrue savings for:

- All childless adults below 138% FPL who become pregnant
- All newly eligible parents (above pre-ACA parent eligibility levels) who become pregnant

* **Note:** Individuals pregnant at the time of application or renewal *are not* or are no longer eligible for the new adult group and State *will not* generate savings

Savings Related to Coverage of Pregnant Women



Savings Related to Medically Needy Spend Down

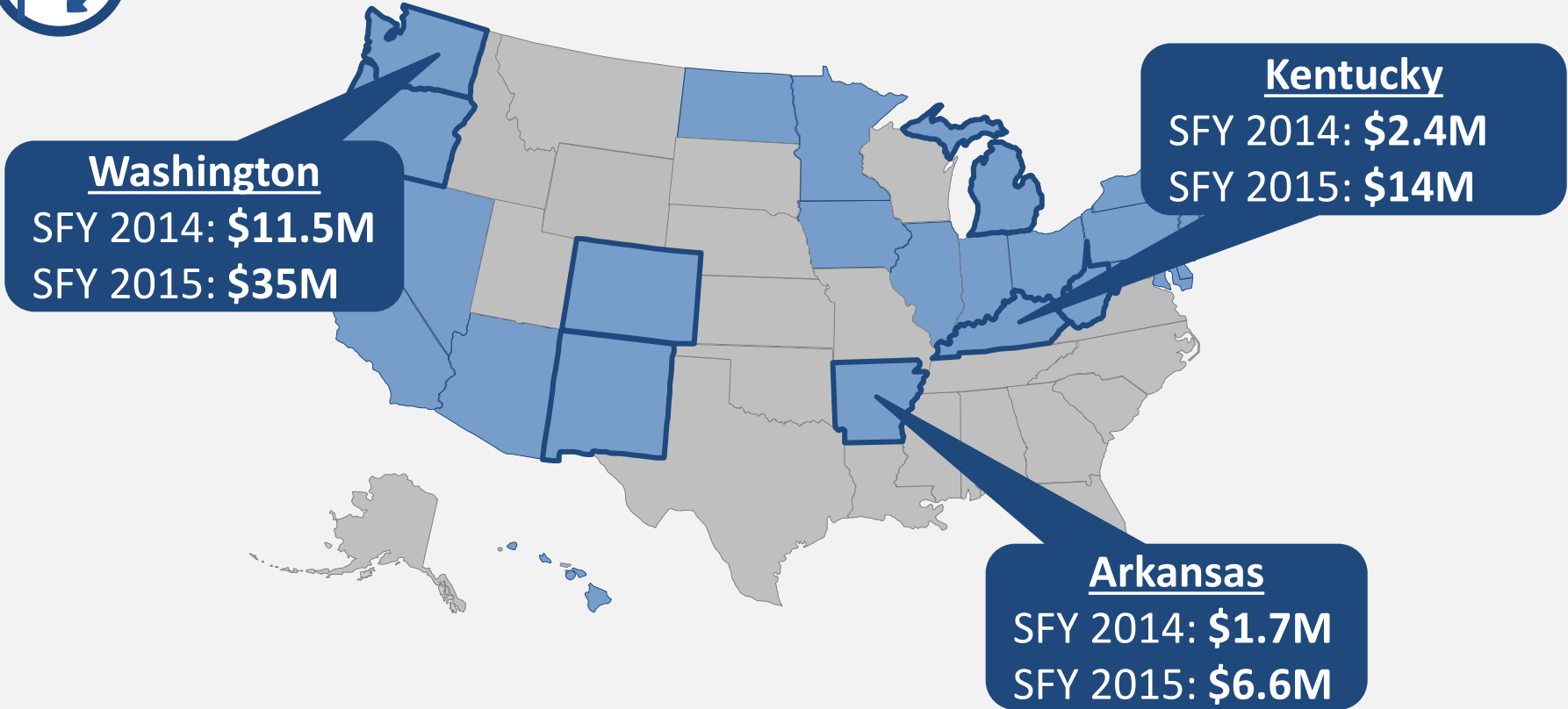


Previously, some adults became Medicaid eligible by “spending down” to state’s medically needy eligibility threshold; post-expansion, individuals with incomes above this threshold but below 138% FPL are enrolled in the new adult group, and the state receives enhanced federal match.

Breaking it Down

- Applies only to states with medically needy programs
- No savings for elderly or those with a disability determination (do not qualify as new adults)
- Most others will enroll in the new adult group
- States see substantial savings in this category, as these are high cost individuals

Savings Related to Medically Needy Spend Down



Savings for Disabled Populations



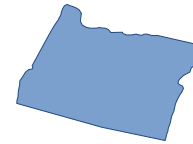
Before expansion, low-income individuals otherwise ineligible for Medicaid (*e.g.* childless adults) were able to secure Medicaid upon federal or state disability determination. Post-expansion, individuals with incomes up to 138% FPL are eligible as new adults without a disability determination, and states receive enhanced federal match.



KENTUCKY

SFY 2014: **\$1.7M**

SFY 2015: **\$7.9M**



OREGON

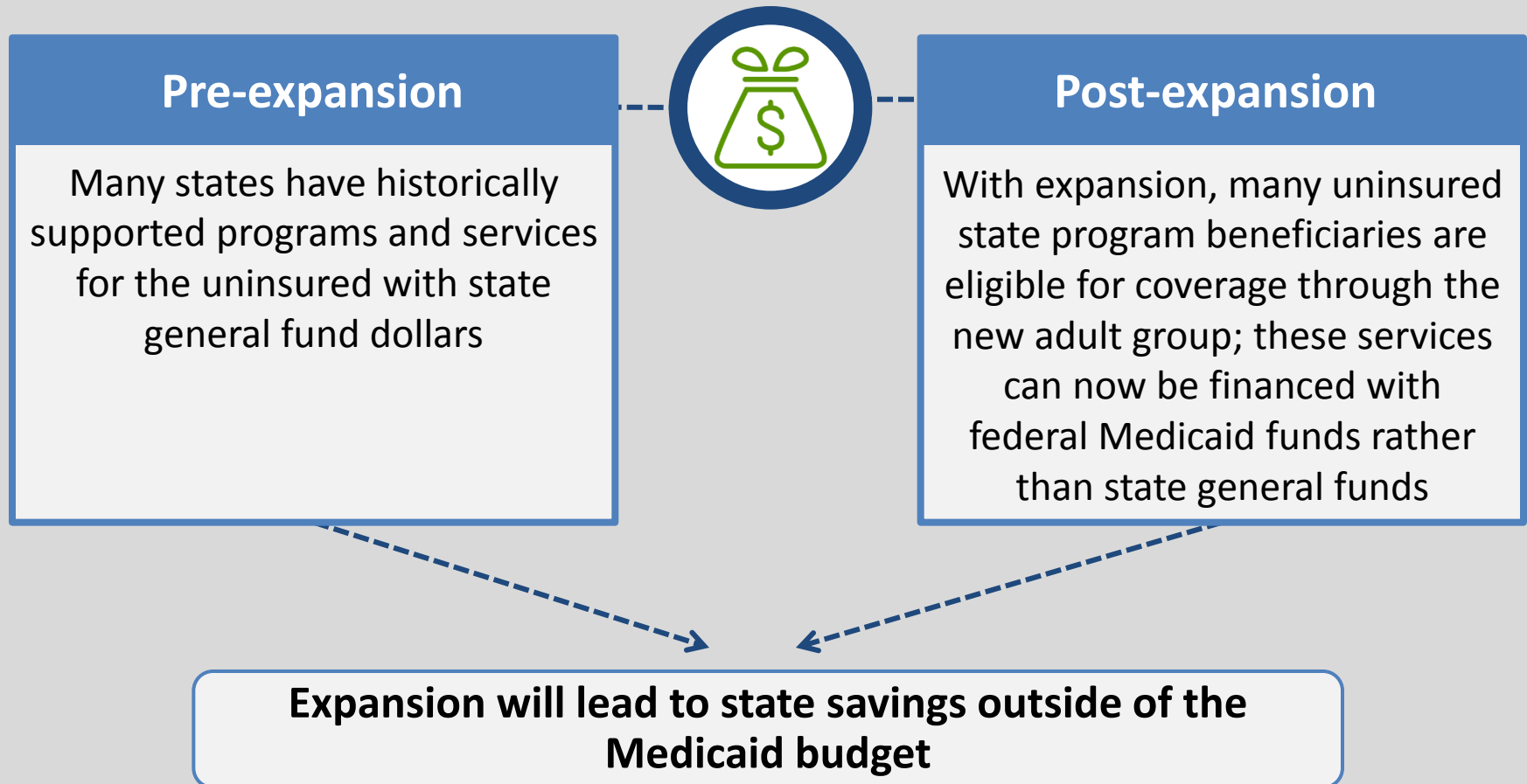
Disability determinations dropped from 7,000 in CY 2013 to 1,400 in CY 2014

Breaking it Down

- Individuals currently eligible based on disability will stay in the disability category
- People no longer have to seek a disability determination to get Medicaid coverage; disability applications and disability determinations will decrease

State Savings From Replacing General Funds with Medicaid Funds

Savings From Replacing General Funds with Medicaid Funds



Types of Savings from Replacing General Funds with Medicaid Funds

Categories Include:



Uncompensated Care Funding



Mental/Behavioral Health



Public Health



Inmates



Other State Programs Targeted to the Uninsured

Savings on Mental Health/Substance Abuse Services

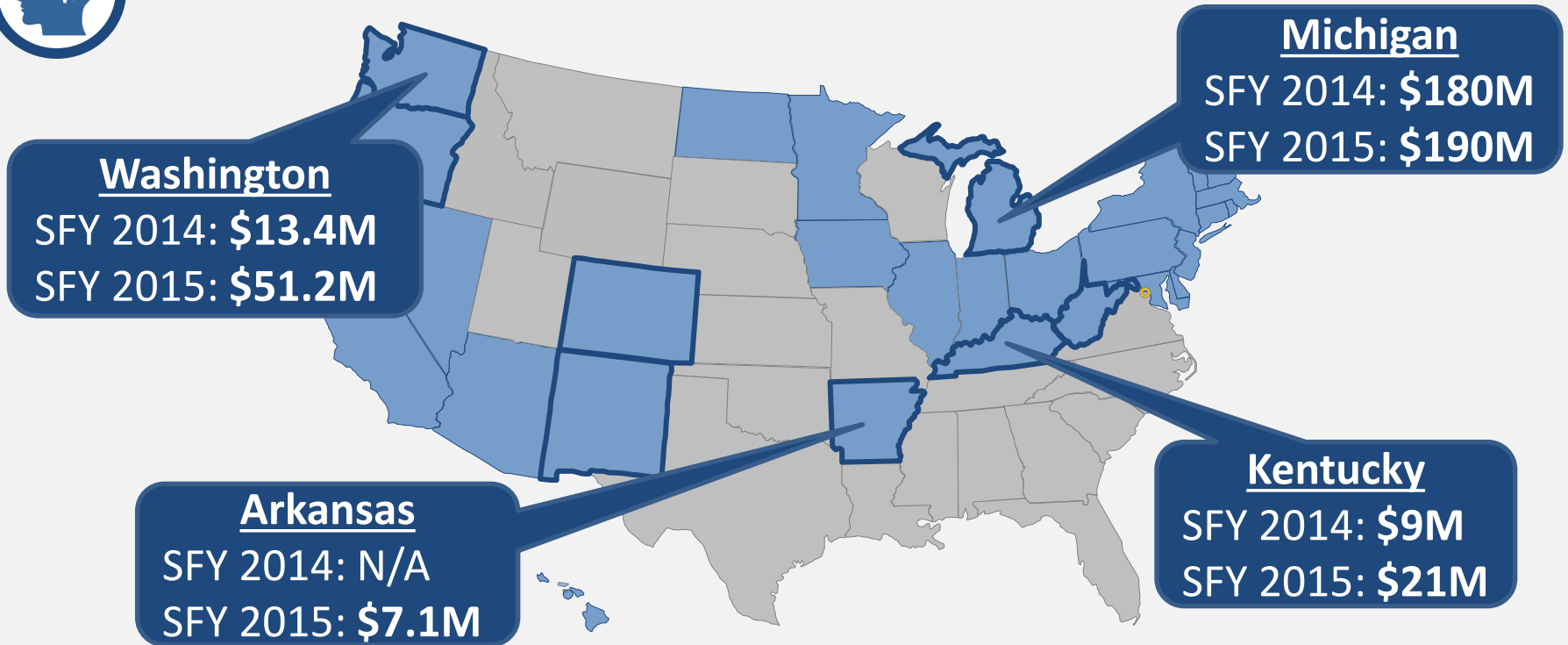


State and local funding supports mental health and substance abuse treatment for uninsured individuals. With expansion, previously uninsured individuals are now eligible for Medicaid in the new adult group; states receive Medicaid funding.

Breaking it Down

- 100% state funding replaced with Medicaid funding with enhanced federal match
- Savings are outside of the Medicaid budget and often in the budget of another agency; legislative action may be needed to reduce spending
- Enhanced federal match applies to spending on medical services; 50% federal match on administrative spending

Savings on Mental Health/Substance Abuse Services



Savings on Inpatient Costs of Prisoners

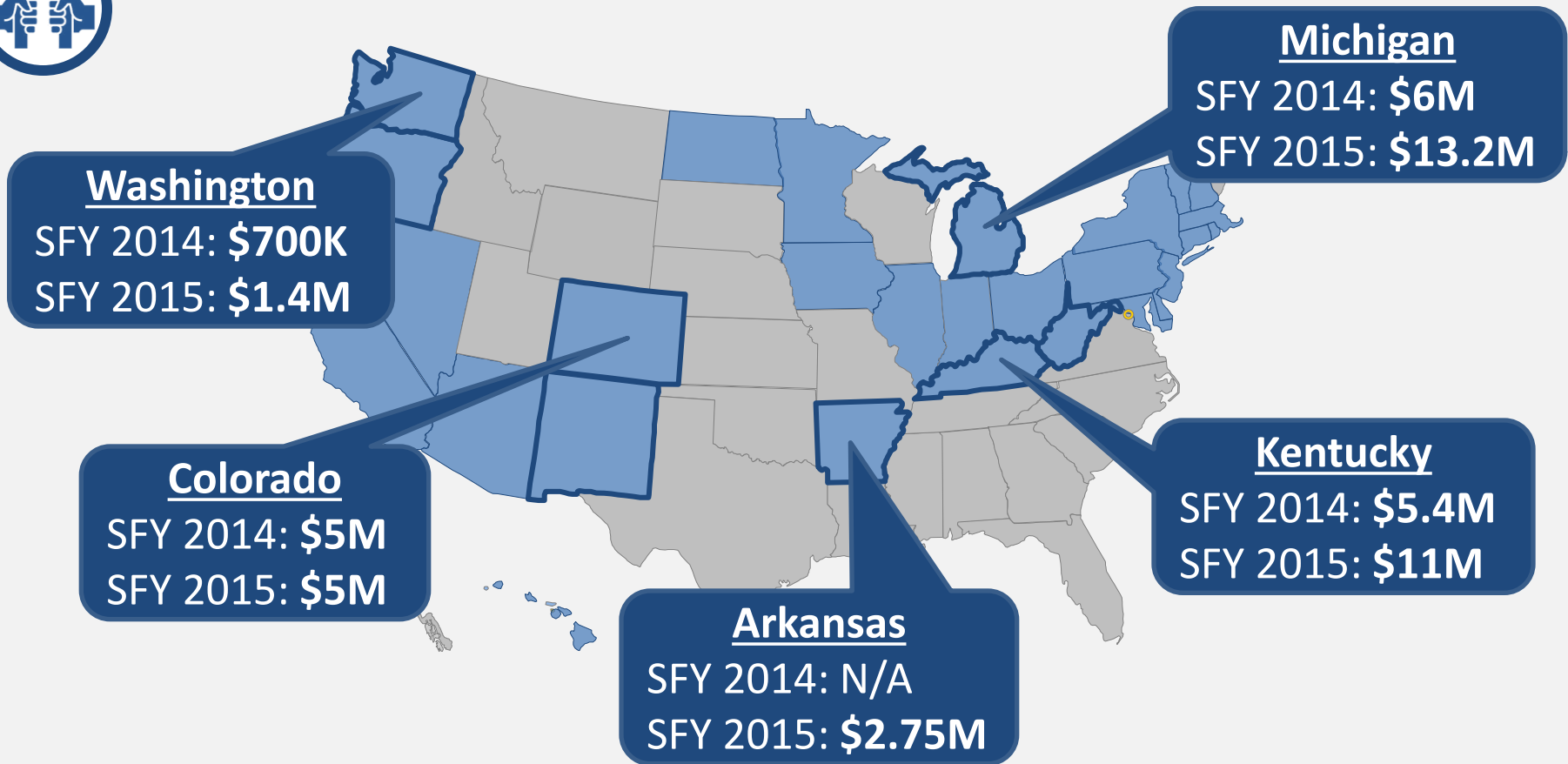


Medicaid covers inpatient costs of prisoners who would otherwise be eligible for Medicaid. With expansion, most prisoners will be Medicaid eligible (but for their incarceration status) resulting in savings to state corrections budgets related to inpatient care.

Breaking it Down

- Savings accrue to corrections budget for costs of inpatient services for prisoners < 138% FPL
- State must estimate percentage of corrections health care costs that are attributable to inpatient services

Savings on Inpatient Costs of Prisoners



Revenue Gains

Revenue Gains

Pre-expansion

Many states raise revenue through assessments/taxes on providers and health plans



Post-expansion

With expansion, Medicaid revenue to providers and plans increases, generating additional tax revenue for states

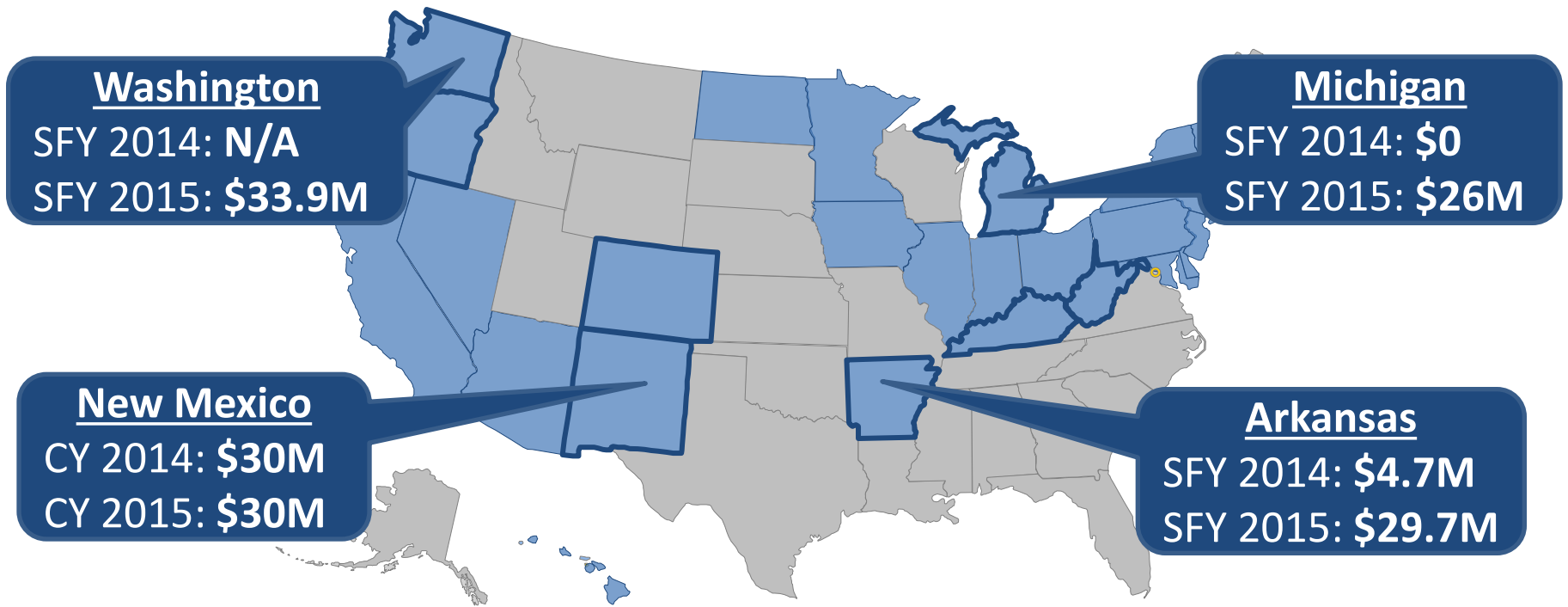
Revenue Gain Categories

- Provider taxes (especially on hospitals)
- Insurer taxes
- Nearly every state has provider and/or insurer assessments

State Revenue Gains



Four states expect revenue gains from insurer assessments, ranging from \$4.7 M to \$33.9 M/year.



State Use of Expansion Savings and Revenue Gains

State Use of Expansion Savings and Revenue Gains



Addressing budget shortfalls



Funding the state's share of the costs of Medicaid expansion after 2016



Reinvesting in mental and behavioral health services and capacity



Funding other state budget priorities

The Findings Had Traction

Media Covered it

States find savings through Medicaid expansion

—Stateline, 4/29/15

Republican governors may pay price for refusing to expand Medicaid under Obamacare

—Bloomberg, 4/23/15

Study: NC would come out ahead on Medicaid expansion

— Charlotte Observer, 4/13/15

Obamacare worth more than \$150 million to Arkansas, report says

—Arkansas Times, 4/6/15



Impact by the Numbers



Almost 6 million total listeners heard the Audio News Release



31 print and online media stories referenced the report



7 interviews conducted with USA Today, Bloomberg, Miami Herald, Charlotte News & Observer, Stateline and Inside CMS



621 likes on Facebook and more than 100 retweets on Twitter

The Maine Experience

Maine Health Access Foundation commissioned a report on the estimated state budget impact of Medicaid expansion in Maine



We can accept federal Medicaid funding tomorrow and not only cost the state nothing, but boost the budget by \$26 million, as a new Maine Health Access Foundation report spells out. Federal funds would replace state spending for those in nursing homes, mental institutions, jails and prisons — whose health needs are high and whose incomes are non-existent...As it stands, the state with the Northeast's lowest incomes is also the only state in the region without full access to health care. It's a wrong that must be righted. Who will start speaking out?

—Douglas Rooks, Kennebec Journal, 4/30/15

Resources

FINAL REPORT: <http://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html>

- The final report includes an appendix with state budget tables and an appendix outlining the savings and revenue opportunities identified by the eight states.

INTERIM REPORT on Kentucky and Arkansas: <http://statenetwork.org/resource/state-network-medicaid-expansion-states-see-significant-budget-savings-and-revenue-gains/>

MAINE REPORT: <http://www.mehaf.org/news-room/press-releases/medicaid-expansion-analysis-manatt/>

Heather Howard

heatherh@princeton.edu

(609) 258-9709

Deborah Bachrach

dbachrach@manatt.com

202-790-4594

Questions?

Thank You