LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 8** HLS 13RS 298
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 22, 2013 2:00 PM
Author: EDWARDS
Dept./Agy.: DHH Medicaid
Subject: Medicaid Expansion
Analyst: Shawn Hotstream

HEALTH CARE OR DECREASE GF EX See Note

Amends administrative rules to provide that La. Medicaid eligibility standards conform to those established in the Affordable Care Act

Proposed House Concurrent Resolution amends the Louisiana Administrative Code (LAC to 50:III.501) of the Medicaid Eligibility Rules of the Department of Health and Hospitals to increase Medicaid eligibility standards to conform with the standards established in the Affordable Care Act. Proposed law further authorizes and directs the secretary of DHH to submit to the Centers for Medicare and Medicaid Services (CMS) on or before September 1, 2013, any Medicaid state plan amendment as may be necessary to implement such expansion of Medicaid eligibility.

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

Expanding Medicaid eligibility in Louisiana as authorized under the Patient Protection and Affordable Care Act (PPACA) is projected to significantly decrease State General Fund expenditures and significantly increase total Medicaid programmatic expenditures over a 5 year period. The fiscal note also provides an impact analysis over 10 years. The specific State General Fund (SGF) and programmatic (total expenditures) fiscal impact is projected as a range, and is based on multiple cost/savings factors. The range of SGF expenditure impact over 5 years is a decrease between $532 M and $554 M. The SGF expenditure impact over 10 years ranges from a decrease of $185 M in SGF expenditures to a decrease of $510 M in SGF expenditures. The 5 and 10 year impacts are cumulative, and are illustrated on page 2. The range is modeled on differences in the take up rate of new eligible enrollees and the average cost per new enrollee, or a Moderate take up rate model and a High Take up rate model.

The High Take-up rate model contemplates a more aggressive take up rate (95%) and a weighted costs per member per month (PMPM). This model reflects an increase of total programmatic expenditures of $257 M ($105 M SGF savings) in FY 14, $7.0 B total programmatic expenditures ($532 M SGF savings) over 5 years, and $19 B total programmatic expenditures ($185 M SGF savings) over 10 years. The Moderate Take-up rate model contemplates a less aggressive take up rate (75%) and utilizes the current average cost per individual for full risk plans. This model reflects an increase of total programmatic expenditures of $172 M ($106 M SGF savings) in FY 14, increase of $4.7 B in programmatic expenditures ($554 M SGF savings), and $12.7 B total programmatic expenditures ($510 M SGF savings) over 10 years. Both models reflect a net SGF cost beginning in year 7 (2020), and in future years.

This fiscal note considered multiple factors that resulted in a net projected cost or savings to Medicaid. These factors include an estimate of the different populations that will be eligible under Medicaid expansion, participation rate (take up rate) of these eligibles over a 10 year period, cost per eligible individual, administrative costs, the enhanced Federal Medical Assistance Percentage (FMAP), the impact on Disproportionate Share Hospital (DSH) funding, and impact on inpatient prisoner care funding. Listed below are specific assumptions used in determining the net impact to Medicaid.

1) 290,000 uninsured between ages 19 and 64 to 138% of the federal poverty level (childless adults and parents of Medicaid eligible children). (Louisiana Health Insurance Survey, 2011, LSU Public Policy Research Lab).
2) All new eligibles placed in Bayou Health full risk prepaid Medicaid managed care health plan (not in fee for service Medicaid).
3) Fiscal Note assumes a fiscal impact range, based on variances in the average Per Member Per Month (PMPM) rate and take up rates.
4) New eligible enrollee cost based on a Per Member Per Month average rate of $246.50 (FY 14 rate).
   High Take-up rate model assumes a projected PMPM rate of $331.71, adjusted to more likely reflect the newly eligible population cost (adults).
   (rate used in FY 14 Medicaid budget for prepaid Bayou Health plan based on an average, includes lower cost of children)
   Rates trended 4% annually through FY 23 (based on Kaiser Medicaid Spending Report, October 2012)
5) FMAP rate under PPACA: 100% FMAP from FY 14 -FY 16, 95%-FY 17, 94%-FY 18, 93%-FY 19, and 90% through FY 23 See Page 2

REVENUE EXPLANATION

The fiscal note assumes all new eligibles will be enrolled in Bayou Health full risk plans. Based on this assumption, significant additional premium tax revenues are anticipated to be generated and deposited into the Medical Assistance Trust Fund (MATF). R.S. 22:842 imposes a 2.25% premium tax on health insurance premiums (gross annual premiums) related to life, health, and accident. However, the net impact of these revenue are indeterminable as every insurance company is entitled to a corporate income tax offset (R.S. 47:227) in the amount of any premium taxes paid. Total premium tax earnings are estimated to be $375 M over 10 years.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[ ] 6.8(F) >= $500,000 Annual Fiscal Cost {S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

6) DSH reduction based on implementation of Health Insurance Exchanges and Medicaid expansion, estimated 68,000 childless adults projected to remain uninsured (beyond 400% of the FPL), Louisiana Health Insurance Survey, 2011
7) Assume benefits received for new eligibles are the same as current Medicaid benefits and not a minimum benchmark package
8) Crowd out assumptions based on Department of Insurance actuarial analysis (approximately 42% take up over 10 years)
9) Fiscal note does not assume any provider rate increases, only adjustments to the average Per Member Per Month (PMPM) costs
10) Consideration of factors resulting in the net fiscal impact of Medicaid expansion is based on review of various analysis models, including Kaiser, Urban Institute Health Policy Center, other state's individual analysis, DHH analysis, Congressional Budget Office assumptions.

EXPENDITURE FACTORS

New Eligible Adults (290,000 previously uninsured): Expanding Medicaid eligibility to individuals (childless adults and parents) up to 138% of the federal poverty level is anticipated to increase SGF Medicaid costs beginning FY 17 as a result of offering coverage for approximately 290,000 currently uninsured individuals (uninsured adults between the age of 19-64 and certain parents). Based on the average PMPM rate of $246.50 in the Moderate Take-up model, total costs are projected to increase by $2.6 B ($81.6 M SGF) over 5 years and by $6.9 B ($483.7 M SGF) over 10 years. This is based on a 10 year take up rate of 75%. Based on the average PMPM rate of $331.71 in the High Take-up model, total costs are estimated to increase by $4 B ($128.6 M SGF) over 5 years and by $10.9 B over 10 years ($786 M SGF). This is based on a take up rate of 95% over 10 years (CMS-Office of the Actuary-2012).

New Eligible (Crowd Out): Approximately 244,000 with either insurance privately purchased on the individual market or employer sponsored insurance (ESI) are projected eligible for Medicaid to 138% of the FPL (LSU Public Policy Research Lab). Crowd out, or those individuals that would drop private insurance or ESI and enroll in Medicaid based on eligibility, is estimated to be 105,000 individuals phased in over 10 years in the Moderate Take-up model, and 116,000 individuals in the High Take-up model. These individuals are considered new eligibles for the purposes of the enhanced state match, and are anticipated to increase SGF Medicaid costs beginning FY 17. The Moderate Take-up model reflects total Medicaid costs increasing by $1 B ($30.5 SGF), and $2.8 B ($204 M SGF) over 10 years. This is based on a 10 year take up rate of 43% of those considered eligible (Department of Insurance actuary). The High Take-up model reflects a 5 year cost of $1.9 B ($61 M SGF) over 5 years, and a cost of $5 B ($363 M SGF) over 10 years. This cost is based on 50% of the individuals with ESI or private insurance transitioning to Medicaid.

Currently Eligible, not enrolled (Woodwork): Approximately 36,000 are projected to be currently eligible for Medicaid, but not enrolled (DHH estimate reflected in FY 14 DHH Budget Request). These individuals are likely parents of Medicaid eligible children. Because these individuals are considered current eligibles, those who enroll would be subject to Medicaid standard FMAP (62.96%), and SGF Medicaid match cost will increase beginning in FY 14. Costs reflected in the Moderate Take-up model are anticipated to increase by $136 M ($50.3 M SGF) over 5 years, and $419 M ($156 M SGF) over 10 years. Costs are based on a 40% take up rate over 10 years. The High Take-up model reflects a 5 year cost of $183 M ($67 M SGF) over 5 years, and a cost of $565 M ($209 M SGF) over 10 years, assuming a higher cost per individual, or the higher PMPM of $331.71.

Medicaid Administration: Medicaid Administration costs are based on hiring additional Medicaid Analyst personnel for processing eligibility applications, renewal applications, case management, processing change request (change in income, change in health circumstance), and payment to the health plans for processing and compiling managed care performance data. Analyst are anticipated to process 1,680 new or renewal applications a year. The Moderate Take-up model reflects $67 M ($33 M SGF) in total costs over 5 years, and $165 M ($82 M) over 10 years. The High Take-up model projects $74 M ($37 M SGF) over 5 years, and $181 M ($91 M SGF) over 10 years.

Transitioned Eligibles: Certain Medicaid enrollees that currently receive a limited benefit (less than full or benchmark benefits) are considered new eligibles under Medicaid expansion, and are eligible to receive enhanced federal match under PPACA. The fiscal note assumes these populations (100%) will receive full benefits under the expansion. These populations/categories include individuals that are covered under a Medicaid eligibility category limited to a specific service (family planning waiver) or limited to a specific disease (breast and cervical cancer), individuals served under the Medically Needy category (only qualifying after these individuals spend down resources in order to qualify), Disability Medicaid enrollees, and children aging out of foster care. In addition, individuals that receive certain specialized behavioral health services that are currently funded with 100% SGF now qualify under the expansion. Both models anticipate decreasing SGF by $516 M over 5 years, and $923 M over 10 years. Programatic cost are projected to increase by $1.1 B over 5 years, and by $2.8 B over 10 years. In calculating the affect of covering these populations, costs were trended forward 10 years without expansion (under standard match). These expenditures are compared to the cost of these populations receiving full benefits under Medicaid as new eligibles (with enhanced match). This comparison of SGF spending resulted in the savings in SGF discussed above. Total programmatic spending is anticipated to increase as these populations are anticipated to receive full Medicaid benefits, not a benchmark (limited package) nor services only specific to a disease. Spending under expansion was built on PMPM's associated with each population category (individually priced out) provided by Mercer (DHH actuary).

Disproportionate Share Hospital (DSH) payments for uninsured (safety net population): Based on the Louisiana Health Insurance Survey (LHIS) of 2011, approximately 565,000 (89%) of Louisiana's 633,000 total uninsured are estimated to fall below 400% of the FPL, leaving an additional 68,000 adults still estimated uninsured (11%). The majority of uninsured under 400% of the FPL that are anticipated to be eligible in Medicaid or through Health Insurance Exchanges have likely historically been covered with DSH reimbursement for uncompensated care costs. Total DSH funding is not eliminated in this analysis. The fiscal note assumes a 75% reduction in DSH payments by 2017 as the result of both the implementation of a Health Insurance Exchange and Medicaid expansion, or a State General Fund match reduction from $225 M (appropriated for FY 14) to $57.5 M. The expansion component accounts for half the SGF reduction.

Correction Care spending: For FY 14, $50 M is appropriated for inmate healthcare (inpatient and outpatient). This expenditure is 100% State General Fund, and is used for both inpatient and outpatient reimbursement. As the expansion removes the categorically eligible requirement for this population for inpatient services, it is anticipated the majority of inmates will be Medicaid eligible for inpatient health services, and the state will be able to leverage enhanced federal dollars under the expansion FMAP. Based on historical inpatient care spending trends, the fiscal note assumes approximately $262 M in SGF savings over 10 years (or an average of $26.2 M annually) for the Moderate Take-up model.

The table below reflects the 5 and 10 year impact of both models.

	High Take-up rate Cumulative Estimate		**Moderate Take-up Rate Cumulative Estimate**	
Category	**5 Year SGF Total**	**10 Year SGF Total**	**5 Year SGF Total**	**10 Year SGF Total**
New Eligibles	$128,633,597	$786,234,591	$81,676,898	$483,798,607
Crowd Out	$61,399,661	$363,689,990	$30,542,057	$204,515,066
Woodwork	$67,801,755	$209,327,105	$50,384,772	$155,554,947
Administration	$37,282,012	$90,743,552	$33,776,167	$82,807,938
Transitioned Eligibles	($516,275,253)	($923,396,994)	($516,275,253)	($923,396,994)
Uninsured (DSH)	($188,235,000)	($449,460,000)	($111,700,000)	($251,450,000)
Correctional Care	($123,298,580)	($262,386,655)	($123,298,580)	($262,386,655)
Total:	**($532,691,808)**	**($185,248,411)**	**($554,893,939)**	**($510,557,091)**

Note: The expenditure analysis reflected above does not consider the net impact of additional revenue to the state as the result of additional spending or premium tax revenue generated into the MATF annually. The Department of Health and Hospital analysis considers premium taxes as a portion of the overall net impact to the state of Louisiana in event Medicaid expansion is accepted. To the extent premium taxes would be used to offset State General Fund support, the savings in both models will increase proportionately. Premium tax revenues projected in this fiscal note total $375 M.

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