LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 759** HLS 14RS 939
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 1, 2014 11:56 AM
Author: NORTON
Dept./Agy.: DHH/Medicaid
Subject: Medicaid Expansion
Analyst: Shawn Hotstream

MEDICAID OR DECREASE GF EX See Note

Requires that La. Medicaid eligibility standards conform to those established by the Affordable Care Act

Proposed law requires the secretary of the Department of Health and Hospitals to file a Medicaid state plan amendment with the Centers for Medicare and Medicaid Services to provide that eligibility standards for medical assistance program benefits in Louisiana conform to the minimum eligibility standards as provided in the Patient Protection and Affordable Care Act.

EXPENDITURES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	INCREASE	INCREASE	
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	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**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 is projected to significantly decrease State General Fund expenditures over 5 years and increase total Medicaid programmatic expenditures over the same time period.
The fiscal note also provides an impact analysis over 10 years (as both DHH and national actuarial models provide analysis over this time frame) . The State General Fund and programmatic 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 cumulative decrease estimated to be between $86 M and $90 M. The SGF expenditure impact over 10 years ranges from an increase in projected cost of $699 M in SGF expenditures to $886 M in SGF expenditures. The range is modeled on differences in the take up rate of new eligible enrollees and an average cost per new enrollee, or a Moderate take up rate model and a High take up rate model. Note: The significant changes from the prior year analysis include a 7% increase in the PMPM (new rate provided by DHH rate actuary), adjusted FMAP (the loss 1 year receiving 100% federal match for new eligibles), 2.8% projected increase in the number of uninsured under 138%, and a reduction in projected savings due to an updated estimate of the number of eligibles under the transitioned eligibles category.

The High Take-up rate model contemplates a more aggressive take up rate (95%) and a $368.14 per member per month cost per enrollee for FY 15. This model reflects an increase of total programmatic expenditures of $244 M ($63 M SGF savings) in FY 15, $8.1 B total programmatic expenditures ($86 M SGF savings) over 5 years, and $22.5 B total programmatic expenditures ($886 M SGF costs) over 10 years. This model reflects a net SGF cost to the state beginning in year 4 (FY 18). The Moderate Take-up rate model contemplates a less aggressive take up rare (75%) and a $368.14 pmpm cost per enrollee. This model reflects an increase in total programmatic expenditures of $185 M ($64 M SGF savings) in FY 15, $6.9 B total programmatic expenditures ($90 M SGF savings) over 5 years, and $19 B total programmatic expenditures $699 M SGF costs) over 10 years. This model reflects a net SGF cost to the state beginning in year 4 (FY 18).

The 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) applied to each year, the impact of 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) 298,000 uninsured between ages 19 to 64 to 138% of the federal poverty level (childless adults and parents of Medicaid eligible children) (Louisiana Health Insurance Survey, 2013, LSU Public Policy Research Lab). Note: Increase from 290,000 reflected in 2011 Insurance Survey.
2) All new eligibles placed in Bayou Health full risk prepaid Medicaid managed care health plan (not fee for service Medicaid). **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 revenues 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. Based on the assumptions in this expansion model, total premium tax earnings are estimated to be $182 M over 5 years.

Senate Dual Referral Rules House

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}
☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}
☐ 6.8(F)(2) >= $500,000 State Rev. Reduc. {H & S}
☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

3) Fiscal Note assumes a fiscal impact range, based on variances in take up rates
4) New eligible enrollee cost based on a Per Member Per Month rate of ($368.14) estimated by DHH's rate actuary (Mercer) for FY 15. Rates trended 5% through FY 24.
5) FMAP rate under PPACA: 100% FMAP through FY 16(two years), 95% FY-FY 17, 94%-FY 18, 93%-FY 19 and 90% in FY 20 and future fiscal years
6) DSH reduction based on implementation of Health Insurance Exchanges and Medicaid Expansion, 60,000 childless adults projected to remain uninsured beyond 400% of the federal poverty level (Louisiana Health Insurance Survey, 2013).
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% to 50% take up rate over 10 years).
9) Fiscal note does not assume any provider rate increases for physicians or hospitals, only adjustments to the PMPM costs annually
10) Medicaid expansion model is based on review of various analysis models, including Kaiser, Urban Institute Health Policy Center, other state's individual actuarial analysis, DHH analysis, and Congressional Budget Office Assumptions.

Expenditure Factors

New Eligible Adults (298,000 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 pmpm costs beginning in FY 17 as a result of offering coverage for approximately 298,000 currently uninsured newly eligible individuals (uninsured adults between the age of 19-64 and certain parents). Based on the PMPM of $368.14 in the Moderate Take-up rate model, total spending is projected to increase by $4.1 B ($207 M SGF cost) over 5 years and by $11.5 B ($903 M SGF) over 10 years. This cost is based on a 10 year take up rate of 75%. Based on the PMPM of $368.14 in the High Take-up rate model, total spending is projected to increase by $4.6 B ($236 M SGF cost) over 5 years and by $13 B ($1 B SGF cost) over a 10 year period. This is based on a 95% take up rate 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 rate model, and 116 individuals in the High Take-up rate model. These individuals are considered new eligibles for the purposes of the enhanced federal match, and are anticipated to increase SGF Medicaid payment costs beginning FY 17. The Moderate Take-up rate model reflects total Medicaid spending increasing by $1.5 B ($73.6 M SGF cost) over 5 years and a total of $4.5 B spending ($366 M SGF cost) over 10 years. This is based on a 10 year take up rate of 43% of eligible individuals (Department of Insurance actuary). The High Take-up rate model reflects 5 year Medicaid spending of $2.2 B ($107 M SGF cost) over 5 years, and Medicaid spending totaling $6 B ($487 M SGF cost) 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 and FY 15 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 (62.06%), and SGF Medicaid match cost will increase beginning in FY 15. Medicaid spending reflected in both projection models reflect an increase by $201 M ($76 M SGF cost) over 5 years, and $639 M ($242.7 M SGF cost) over 10 years. Costs are based on a 40% take up rate over 10 years.

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 or in health circumstance), payment to the fiscal intermediary and enrollment broker. Analyst are anticipated to process 1,680 new or renewal applications a year. The Moderate Take-up rate model reflects $48.5 M ($24 M SGF cost) over 5 years, and $127 M ($63.6 M SGF cost) over 10 years. The High Take-up rate model projects $57.9 M ($28.9 M SGF cost) over 5 years and $154.8 M ($77.4 M SGF cost) over 10 years.

Transitioned Eligibles (currently enrolled, new eligibles): Certain Medicaid enrollees that currently receive limited benefits/specific services are considered new eligibles under a Medicaid expansion, and are eligible to receive enhanced federal match under PPACA. The fiscal note assumes these populations (100%) will receive full benefits under an 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 qualify after these individuals spend down resources in order to qualify), Provisional Medicaid enrollees, and children aging out of foster care. Both models anticipate decreasing SGF match by $190 m over 5 years, and $257.9 M over 10 years. In calculating the effect 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. 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 2013, approximately 562,285 (90%) of Louisiana's 622,033 total uninsured adults are estimated to fall below 400% of the FPL, leaving an additional 59,748 adults still estimated uninsured (10%). 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 2018 as a result of both health insurance exchanges and Medicaid expansion, or a State General Fund match reduction from $313.6 M (appropriated for FY 15) to $78.4 M. The expansion component accounts for half of 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. Base on historical inpatient spending trends provided by HCSD, the fiscal note assumes approximately $123 M in SGF savings over 5 years.

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

	Moderate Take-up rate model Cumulative Estimate		High Take-up rate model Cumulative Estimate	
Category	5 Year SGF Total	10 Year SGF Total	5 Year SGF Total	10 Year SGF Total
New Eligible	$207,015,948	$903,322,010	$236,590,174	$1,082,368,822
Crowd Out	$73,636,728	$366,534,354	$107,059,994	$487,146,524
Woodwork	$76,415,513	$242,763,920	$76,415,513	$242,763,920
Administration	$24,233,152	$63,664,820	$28,958,027	$77,418,793
Transitioned Eligibles	($190,233,009)	($257,905,135)	($190,233,009)	($257,905,135)
Uninsured (DSH)	($157,421,176)	($356,549,556)	($221,207,454)	($482,432,454)
Correction Care	($123,298,580)	($262,386,655)	($123,298,580)	($262,386,655)
Total	($89,651,424)	$699,443,758	($85,715,335)	$886,973,815

Senate Dual Referral Rules House

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☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

☐ 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

☐ 6.8(F)(2) >= $500,000 State Rev. Reduc. {H & S}

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