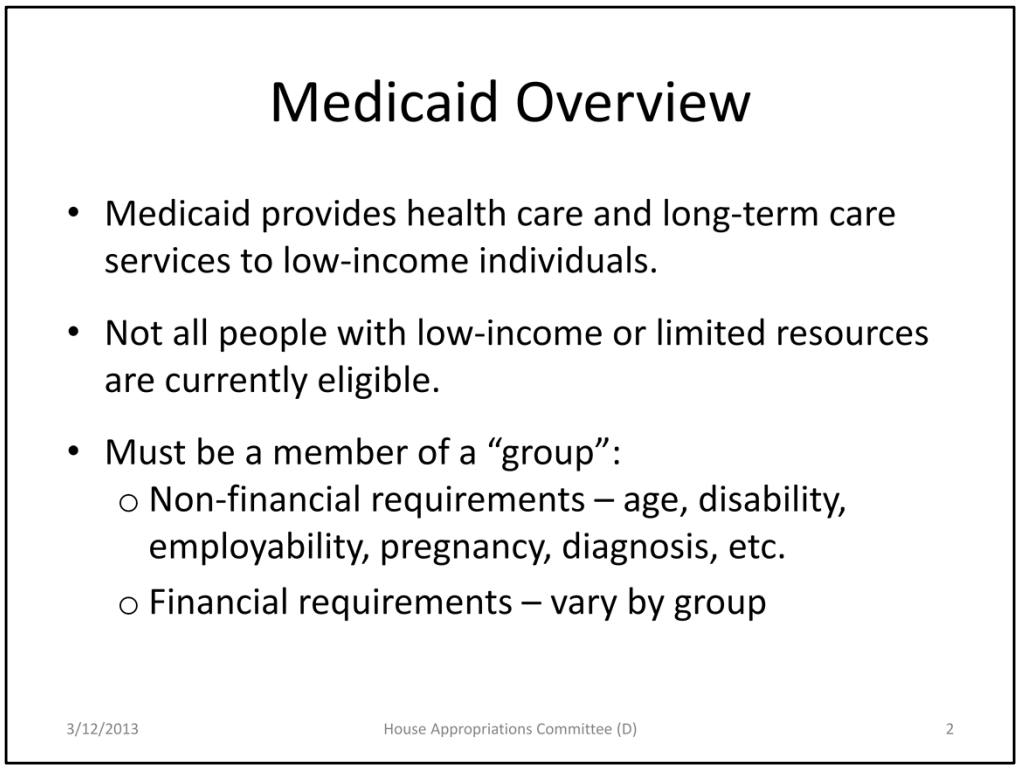

# Introduction to Medicaid Expansion

House Committee on Appropriations (D)
Joseph F. Markosek, Chairman
Beth Balaban, Senior Budget Analyst
March 12, 2013




Pennsylvania's Medicaid program (Medical Assistance) has dozens of eligibility groups and programs, each with its own qualifying criteria.

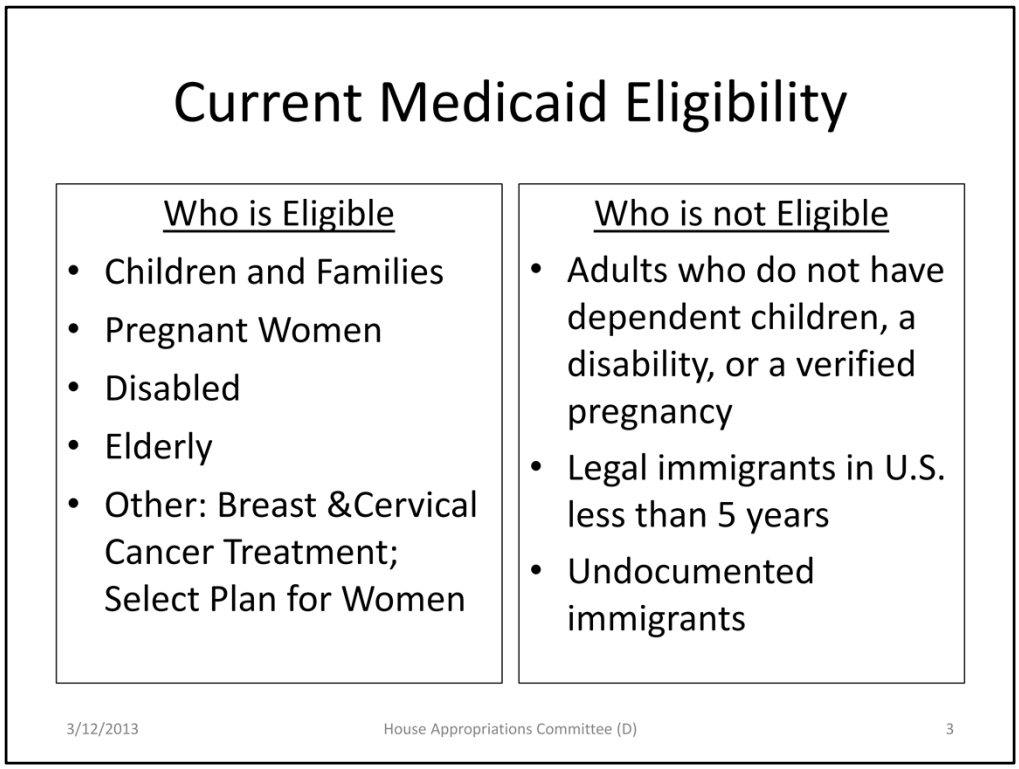
Non Financial Factors include: Age; Disability (temporary, permanent and total); Employability; Pregnancy; Diagnosis and need for treatment; Resident in a long-term care facility; People receiving home and community-based services

Because Medicaid is means-tested, people who fall into one of these categories must also meet financial criteria based on income and resources (assets).

- Currently, each group has its own income requirement – some tie eligibility to Federal Poverty Level and others to the federal Supplemental Security Income standard
- Income includes wages, interest/dividends, Social Security, veteran benefits, pensions
- Depending upon the category, certain income is not counted and certain deductions are allowed when calculating income eligibility
    - For example, PA does not count (DISREGARDS) adoption subsidy payments to people who adopt children
    - For example, PA provides a deduction for work expenses (e.g., transportation, uniforms) of $25 per month

Resource requirements also vary among groups Resources counted include cash, checking/savings accounts, stocks/bonds, life insurance, cars (first vehicle does not count), and real estate (other than your home)

- Do not count a person's primary residence, first car, burial space and marker




Groups eligible for traditional Medicaid include:

- Children
- Parents
- Pregnant women
- People with disabilities (physical, intellectual, behavioral, autism)
- Seniors

Additionally, PA has certain optional Medicaid programs that serve specific groups

- Breast & Cervical Cancer Prevention & Treatment Program serves 1800 women (up to 250% FPL) who need treatment for breast or cervical cancer, or a pre-cancerous condition of the breast or cervix
- Select Plan for Women provides contraceptives, screenings, and primary health care to 98,000 uninsured women (up to 185% FPL)

## Current Medicaid Federal Matches (FMAP)

| Current Medicaid Groups/Programs | Current Federal Match |
|---|---|
| Children<br>Pregnant Women<br>Families<br>People with Disabilities<br>(physical, mental, intellectual, autism)<br>Elderly | about 54% |
| Breast and Cervical Cancer Treatment Program | about 68% |
| Select Plan for Women | 90% |



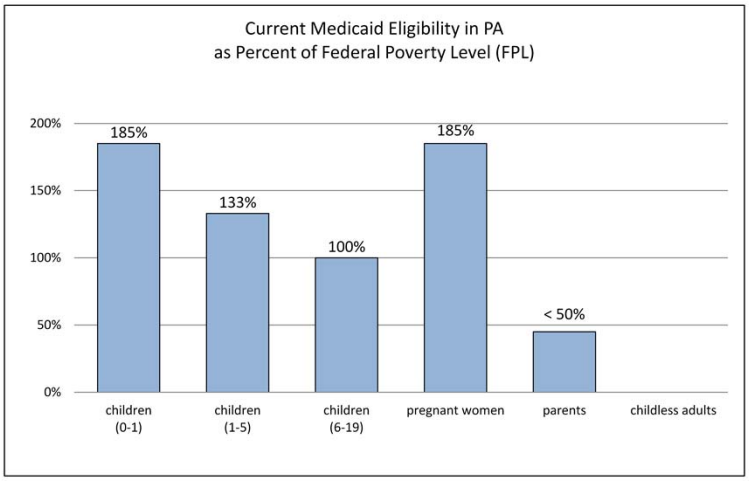
The federal government reimburses Pennsylvania at the Standard FMAP for its current (traditional) Medicaid program –currently about 54%

- NOTE: this rate varies year to year and is based on state per capita income

The two optional programs receive a higher federal match – the feds pay a higher FMAP as an incentive for states to participate in these optional programs

- Breast & Cervical Cancer Prevention & Treatment Program receives the enhanced FMAP - currently about 68%
- Select Plan for Women receives 90% federal match

# Current Medicaid Eligibility in PA




3/12/2013 House Appropriations Committee (D) 5

This chart shows income eligibility in the current Medicaid program for Pennsylvanians who are not elderly or disabled (disability meets federal SSDI criteria)

When it comes to kids, PA has different income eligibility levels depending upon the age of the child

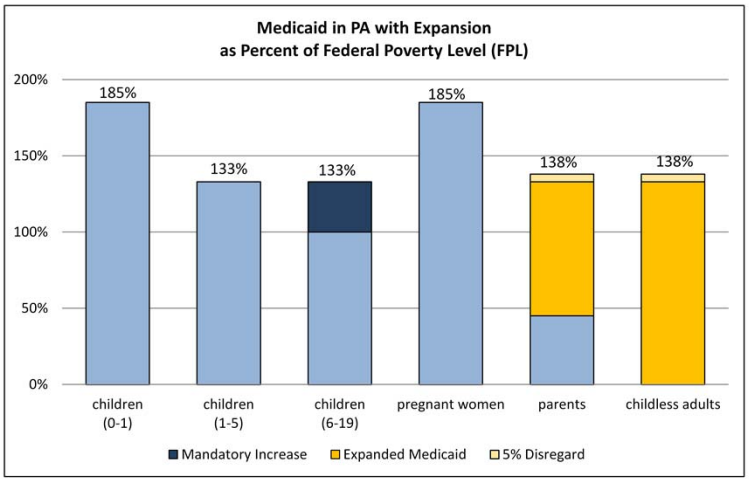
- **Children under age 1** in families with income at or below 185% of federal poverty
- **Children age 1 through 5** in families with income at or below 133% of federal poverty
- **Children age 6 until 19** in families with income at or below 100% of federal poverty

When it comes to adults:

- Cover pregnant women with income at or below 185% of federal poverty (include unborn child in household size – for example, if a woman verifies she is pregnant with twins, then she counts as three persons)
- Only cover very poor parents – eligibility is significantly lower than that for pregnant women and children; it is generally less than 50% of federal poverty
- NOTHING for adults who are childless … and who are not pregnant or have a disability (SSDI level) – these adults are currently excluded from Medicaid

# Medicaid Expansion

Establishes a new income eligibility level of 133% plus 5% (to replace current deductions and disregards).




3/12/2013 House Appropriations Committee (D) 6

Beginning January 2014, states have the opportunity to expand Medicaid to include adults, age 19 through 64, who have incomes up to 138% of FPL

- 138% equals the new 133% eligibility level plus a 5% disregard

The following adults will become "newly eligible" for Medicaid under Expansion -- **illustrated by the yellow bars**

- Poor working parents who made too much income to qualify for Medicaid, but their children were covered
- Childless adults (including those with a disability that does not meet the SSDI level)

ADDITIONALLY:
ACA requires states to increase eligibility in current Medicaid program to cover kids, age 6 to 19, in families with income up to 133% of federal poverty - **illustrated by dark blue box**

- current eligibility for these kids is 100% of federal poverty (see previous chart)

**NOTE :** The "yellow bars" are newly eligibles for whom PA would be reimbursed at the enhanced federal match (shown on slide 8); the "blue bars" are folks who qualify for the current program (including kids age 6-19) for whom PA is reimbursed at the standard FMAP

# Medicaid Expansion

Beginning January 2014, the Affordable Care Act allows states to add adults up to age 65 with incomes up to 138% of federal poverty level. For 2013, 138% of federal poverty level:

| Family Size | Annual Income | Monthly Income | Hourly Income |
|---|---|---|---|
| 1 | $15,856 | $1,321 | $8.26 |
| 2 | $21,404 | $1,784 | $11.15 |
| 3 | $26,951 | $2,246 | $14.04 |
| 4 | $32,499 | $2,708 | $16.93 |
| 5 | $38,047 | $3,171 | $19.82 |
| 6 | $43,594 | $3,633 | $22.71 |



This chart illustrates what 138% of federal poverty means

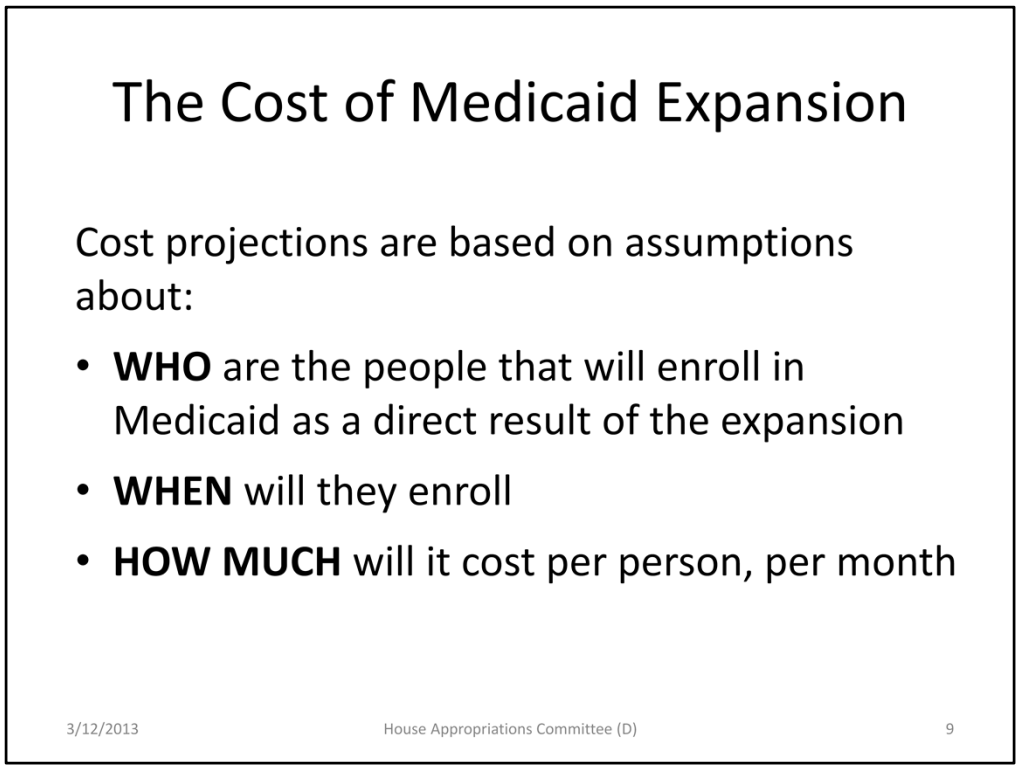
- It is the individual who makes $8.26 per hour
- It is the single working parent with 2 kids who earns less than $27,000 a year

# Medicaid Expansion Federal Match

For newly eligible adults, the Federal government will pay 100% of Medicaid costs for the first three years and no less than 90% thereafter.

- States can opt in and opt out of Medicaid expansion at any time.
- Waiting to expand means less federal funds for this new Medicaid group.

| Calendar Year | Federal Match |
|---|---|
| 2014 | 100% |
| 2015 | 100% |
| 2016 | 100% |
| 2017 | 95% |
| 2018 | 94% |
| 2019 | 93% |
| 2020 on | 90% |




WHO:

New Eligibles -- How many uninsured low-income adults would qualify if we expand Medicaid to 138% of Poverty?

"Welcome Mat" effect – how many people who are already eligible for MA, but for whatever reason are not enrolled, will now participate because of the heightened awareness for affordable insurance beginning January 2014?

- Come January 2014, the event that will trigger most of the "welcome mat effect" is the start-up of the Health Ins Exchanges
- People will hear about the "individual mandate" and will go to the exchange for insurance coverage and that is where they discover that they actually qualify for Medicaid (and are excluded from the mandate)

When

- Not everyone who is eligible will enroll immediately; rather there will be a phase in rate in which caseload increases over time.
- There is no mandate to enroll in Medicaid, so we do not expect 100% participation by all the newly eligibles

How Much (Per enrollee cost)

- States do not have to offer the same benefit package as we do for the traditional Medicaid program
- Arguably lower costs per person

# Federal Match – **Sample Scenarios**

HACD Assumptions:

- 600,000 newly eligible adults enroll in MA Program by 2020
- Per capita cost based on the current average MA managed care rates (physical & behavioral), with 3% annual rate increases

| Year | Federal Match | New Adults In MA | Per Capita Per Month | (Millions of Dollars) Total Costs | Federal Match | State Cost |
|---|---|---|---|---|---|---|
| 2015 | 100% | 500,000 | $522 | $3,130 | $3,130 | $0 |
| 2017 | 95% | 550,000 | $553 | $3,653 | $3,470 | $183 |
| 2020 | 90% | 600,000 | $605 | $4,354 | $3,919 | $435 |

NOTE: State costs are overstated because estimate did not factor in the ability for PA to offer a reduced benefit package, the savings from pharmacy rebates, and the managed care organization Gross Receipts Tax offset.

**DRAFT**

3/12/2013 House Appropriations Committee (D) 10

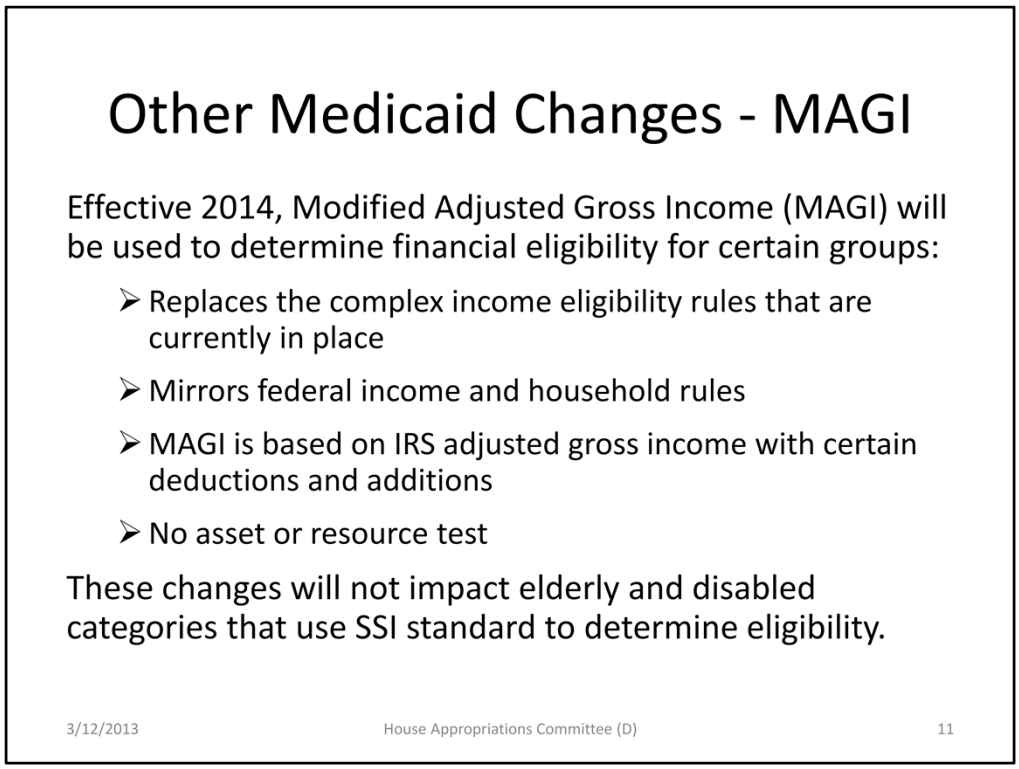
This chart illustrates how federal match works for the "newly eligible" adults who enroll in Medicaid due to expansion

Three scenarios created to show how federal matching funds and state costs change over time as more people enroll and medical inflation impacts the cost per person

- **These are very rough estimates** that overstate state costs because they do not factor in the ability of PA to offer a benefit package that is less than the standard Medicaid benefit, the savings from pharmacy rebates, and the offsets from the managed care Gross Receipts Tax.

For example:

- **In 2015**, the feds pay all the cost for covering the "newly eligibles"
  - In this scenario, the federal gov't pays the entire $3.1 billion for Pa to cover half a million adults
- **In 2017**, the state pays 5% of costs and feds pay 95%
  - In this scenario, for less than $200 million in state cost, PA gets nearly $3.5 billion in federal dollars
  - This small state investment brings billions of federal dollars to PA while providing health care coverage to more than half a million Pennsylvanians
- **By 2020**, the state pays 10% of costs and the feds pay 90%
  - In this scenario, state costs increase to $435 million, while feds pay $3.9 billion
  - Again, a relatively small investment to leverage billions of federal dollars to cover 600,000 Pennsylvanians




Health Care Reform is predicated on the principle that everyone who is eligible is enrolled in the appropriate insurance program

Need to simplify Medicaid rules and create a system of coverage across Medicaid and the Insurance Health Exchanges

<u>Modified Adjusted Gross Income</u>

ACA simplifies Medicaid eligibility process by using Modified Adjusted Gross Income as the standard for determining financial eligibility

- Implementing the new MAGI standard requires states to make massive changes to their information systems, databases, procedures, and work flows. States must convert their entire eligibility systems and existing data files to the new methodology.
- MAGI will also be used to determine the subsidy amount (in the form of tax credits) available to people purchasing insurance through the Exchanges

<u>Asset Rules</u>

Please note that PA does not count resources for children, pregnant women, and families

- Newly eligible adults (under Expansion) would not have a resource test

## Other Medicaid Changes

- Coordination of enrollment procedures/seamless enrollment for all programs (Medicaid, CHIP, Exchange).
- People can apply for and enroll in all programs through a state-run website.
- Single application form required for all programs, with option for consumers to submit online, in person, by mail or by telephone.



Need to simplify Medicaid rules and create a system of coverage across Medicaid and the Insurance Health Exchanges, beginning January 2014

The new rules implement the following:

- Coordinated policies across Medicaid, CHIP and the Exchanges
- A website that provides program information and facilitates enrollment in all insurance affordability programs (Medicaid, CHIP, Exchanges)
- A single, streamlined application for all insurance affordability programs

# What are other people saying?

| | Urban Institute (Kaiser Family Foundation) | Corbett Administration |
|---|---|---|
| Years Covered | **10 years** (through 2022/23) | **8 years** (through 2020/21) |
| New Medicaid enrollees | **719,000** | **804,000** |
| **Scope of Analysis:** | | |
| Coverage for newly and currently eligible Pennsylvanians | | PLUS: ACA Admin Costs (system upgrades, personnel) AND Non-mandated costs related to provider payments |
| **Estimates:** | | |
| **State Costs:** | **$4.0 B** | **$6.9 B** |
| **State Savings:** | **N/A** | **(primarily General Assistance) $2.7 B** |
| **Net cost:** | **N/A** * | **$4.1 B** |
| ***Kaiser's net cost would be approximately $3.0 B after accounting for 10 years of General Assistance net savings (per DPW detail provided March 4, 2013).** | | |
| **Federal Match Funds:** | **$43.3 B** | **Not provided** |

3/12/2013 House Appropriations Committee (D) 13

This slide compares the estimates done by the Urban Institute (Kaiser Foundation) and the administration. Here are key points:
- The administration's estimate includes costs the state will incur anyway under the Affordable Care Act and should not be attributed to expanding Medicaid.
- If you were to deduct from Kaiser's estimate the savings for people who would no longer be on General Assistance (because they would move over to Medicaid under Expansion), the state's cost would be about $1.2 billion over 10 years – NOTE: the administration's $4.1 billion estimate included GA savings.
- The administration's estimate does not mention the federal matching funds. Kaiser estimates Pennsylvania would get back a total of $43 billion in federal funds over 10 years.

Scope of Study
- Urban Institute (Kaiser) only estimated the costs of Medicaid coverage for newly eligibles (primarily adults) and currently eligibles (primarily children)
- Corbett also included Administrative costs (IT and personnel) associated with implementing ACA provisions plus other costs (related to provider payments) that are not mandated under the ACA.

Enrollment Assumptions
**Kaiser 719,000 total enrollees:**
- 542,000 newly eligible
- 178,000 currently eligible (includes kids, age 6 to 19, covered due to increased income eligibility - see dark blue box in slide 6)

**Corbett 800,000 total enrollees:** 643,000 newly and currently eligible; 161,306 children (includes new kids, age 6 to 19)

Cost Estimates
**Kaiser State Costs : $4 billion Total Cost**
- $2.8 billion are costs associated with Medicaid Expansion
- $1.15 billion are costs PA will incur even if we do not expand Medicaid
  - This is primarily the cost for kids, age 6 to 19, due to increased income eligibility of 133% FPL (up from 100% FPL)
  - Also includes some "welcome mat" effect for adults enrolling in the current program –these are the folks who seek coverage through the Health Insurance Exchange and learn they already qualify for Medicaid

**Corbett State Costs: $6.9 billion Total** (no break out of cost for newly eligible, current eligible, administrative, and other costs)

- **$4.1 billion Net Cost** (after counting the savings primarily associated with General Assistance adults who could become newly eligible under Medicaid Expansion)

NOTE: To make the appropriate comparison with the Corbett $4.1 billion "net" cost estimate, the Kaiser $4 billion cost estimate can be reduced to a "net" cost of about $3.0 billion when you take into account the GA net savings (per DPW's detailed printout of March 4, 2013)

Federal Match Funds
**Kaiser Estimates a total of $43 billion, assuming Pennsylvanian does the Medicaid Expansion**
- **Expansion brings $37 billion** of federal funds to PA
- **Medicaid without expansion** brings $5 billion of federal funds to PA – this is standard federal matching funds for the current (traditional) Medicaid program to pay for new kids age 6 to 19 plus the "welcome mat" effect associated with Exchange.

Corbett does not mention federal funds that could come to PA

## Corbett Estimates Don't Make Sense

The cost estimates are **unsubstantiated and inflated:**

- Do not share numbers or methodology
- Appear to use lofty assumptions to drive up costs

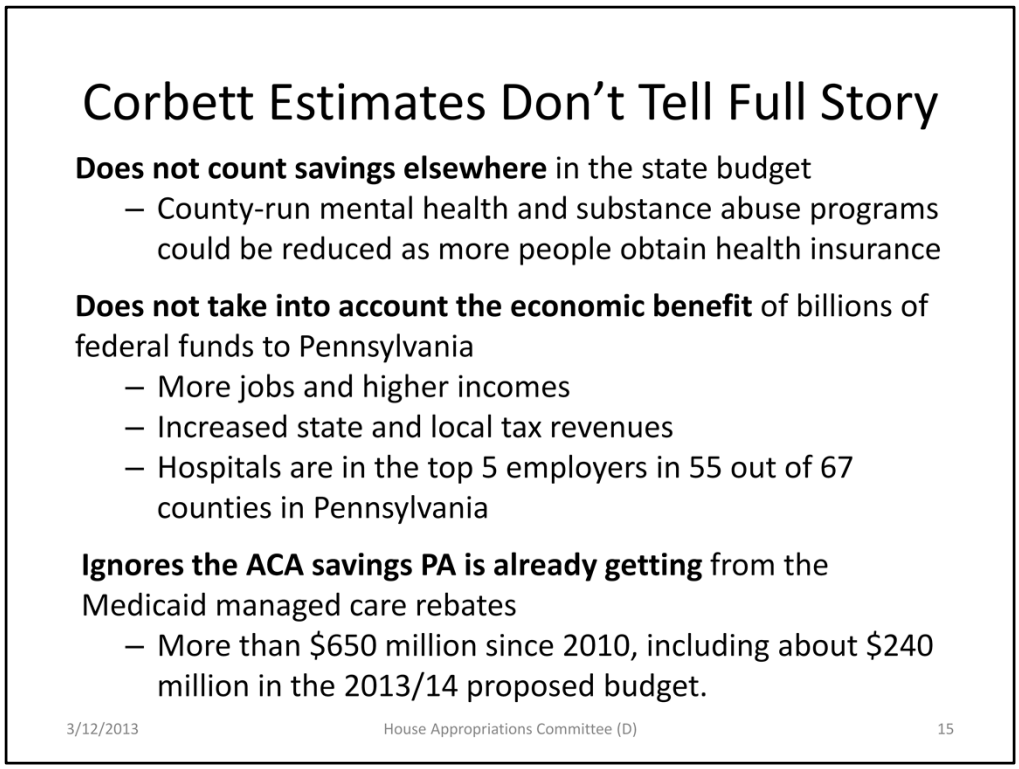
Corbett **counts costs that PA will incur anyway** under ACA:

- Mandatory increase in Medicaid eligibility for children
- Medicaid enrollment will be higher as people seek coverage through the Health Insurance Exchange.
- System upgrades needed for the new Medicaid eligibility and enrollment requirements.
- Electronic interface must be developed between Medicaid and the Health Insurance Exchange.



Costs to be incurred anyway under the ACA.
Remember, Urban Institute estimates $1.15 billion cost for PA even if we do not implement Expansion

- includes "welcome mat effect" due to the Exchanges
- Includes higher eligibility (from 100% FPL to 133% FPL) for children age 6 to 19 in the current Medicaid program




POTENTIAL STATE SAVINGS
About $550 million is budgeted by DPW for county programs in 2013/14.

Remember economic benefits associated with billions of federal funds to PA

Additionally… current Medicaid groups (that get the standard FMAP) could be converted to the new group that gets the enhanced FMAP

# The Cost if PA Does Not Expand

- **Human costs** associated with over 500,000 Pennsylvanians denied health insurance
- **Economic costs** due to loss of roughly $40 billion of federal dollars into Pennsylvania communities
  - Lost opportunity to create jobs and raise incomes
  - Lost potential growth in state and local revenues
  - Every additional dollar in employee compensation in the hospital sector results in 92 cents of wages to other Pennsylvania industries.
- **Budget costs** at state and local level for health care programs that could have been reduced

# Questions? Comments?

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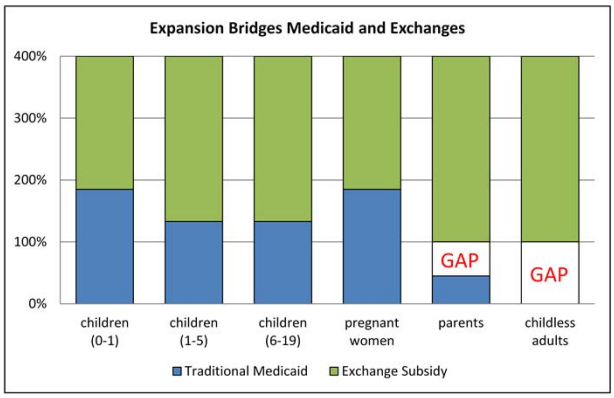
## Medicaid Expansion Bridges the Gap Between Current Medicaid & Exchange

Without Medicaid Expansion, thousands of low-income adults will not have access to affordable health insurance next January.




3/12/2013 House Appropriations Committee (D) 18

They are not poor enough (or have a condition) to qualify for current Medicaid coverage
They are too poor to purchase coverage in the Health Insurance Exchange

- The premium subsidy (tax credit) in the Health Insurance Exchange is only for people with incomes from 100% to 400% of Federal Poverty Level

**ACA – Affordability Credits**

- Affordability and cost-sharing subsidies start in 2014.
- Tax credits are refundable and payable in advance.
- Tied to the second lowest-cost silver plan offered in the exchange.

**Sliding scale subsidies are based on income:**

| % of Federal Poverty Level | Income for an Individual | Income for family of 4 | % of Income for Premiums |
|---|---|---|---|
| 100% to 133% | $11,490 - $15,282 | $23,550 - $31,322 | 2% |
| 133% to 150% | $15,282 - $17,235 | $31,322 - $35,325 | 3% - 4% |
| 150% to 200% | $17,235 - $22,980 | $35,325- $47,100 | 4% -6.3% |
| 200% to 250% | $22,980 - $28,725 | $47,100 - $58,875 | 6.3%-8.05% |
| 250% to 300% | $28,725 - $34,470 | $58,875 - $70,650 | 8.05% - 9.5% |
| 300% to 400% | $34,370 - $45,960 | $70,650 - $94,200 | 9.5% |

# Hospital Impacts – DSH Payments

- Beginning 2014, federal Disproportionate Share allotments to states will be cut by $18.1 billion through 2020
  - This was built on the premise that more people would be insured, so less need for DSH payments
- The HHS secretary will determine how to distribute the cuts across the states - $500 million will be cut in 2014
  - Largest reductions to states with lowest percent uninsured
  - PA's allotment is about $900 million
- If PA does not expand Medicaid, uncompensated hospital care will persist while the amount of DSH payments hospitals receive to subsidize such care may be reduced



the ACA included a provision directing the Secretary of the Department of Health and Human Services to make aggregate reductions in Medicaid DSH allotments equal to

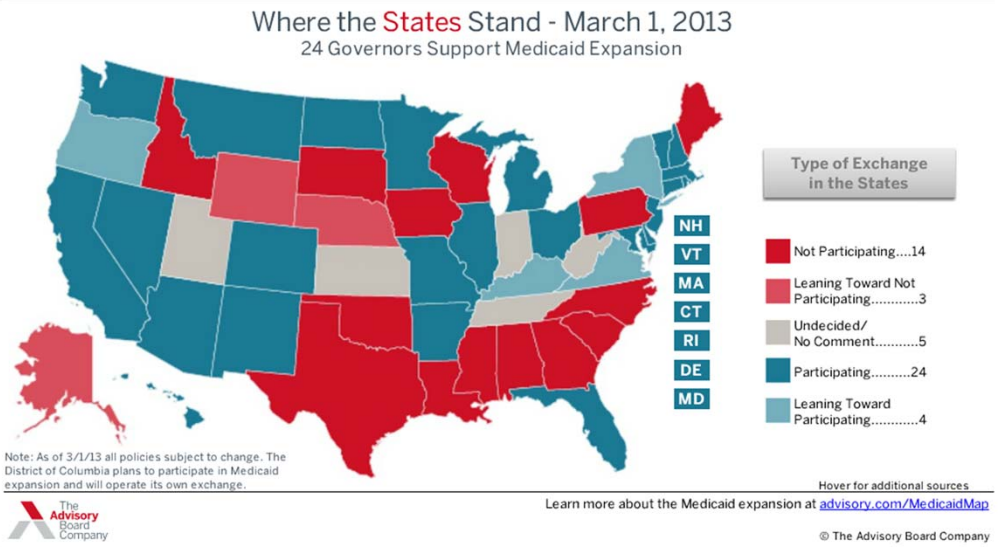
- $500 million in FY2014
- $600 million in FY2015
- $600 million in FY2016
- $1.8 billion in FY2017
- $5.0 billion in FY2018
- $5.6 billion in FY2019
- $4.0 billion in FY2020.

# Medicaid a Cornerstone for Reform*

States have continually relied on Medicaid to meet new demands and initiate reforms:

- Improving infant mortality rates
- Significantly reducing uninsured rate among children
- Providing coverage for children with special needs
- Providing coverage for those living with HIV/AIDS
- Covering people with disabilities in the labor market and providing community based long-term care (LTC)
- Developing new care coordination models
- Initiating Electronic Health Records (EHRs)

Source: NCSL


Where the States Stand - March 1, 2013
24 Governors Support Medicaid Expansion
NH
VT
MA
CT
RI
DE
MD
Type of Exchange in the States
Not Participating....14
Leaning Toward Not Participating.....3
Undecided/ No Comment.....5
Participating.....24
Leaning Toward Participating.....4
Note: As of 3/1/13 all policies subject to change. The District of Columbia plans to participate in Medicaid expansion and will operate its own exchange.
Hover for additional sources
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