



HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - WITH REAL-WORLD PERSPECTIVE.

Impact on the State of New Hampshire of Implementing the Medicaid Expansion under the ACA

Prepared for: New Hampshire Department of Health and Human Services

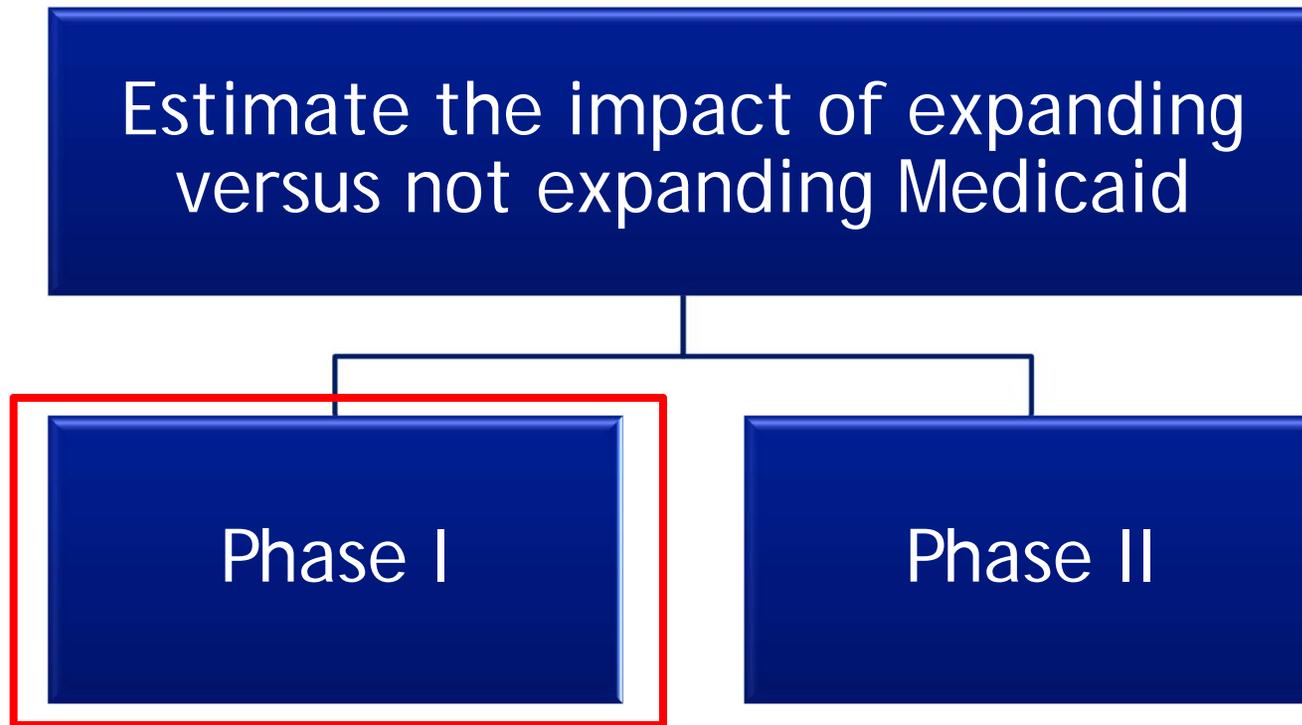
November 15, 2012

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Background

- The Affordable Care Act (ACA) requires states to expand Medicaid to all adults up to 138% of FPL
- June 2012 Supreme Court decision → Medicaid expansion now optional
- Other key ACA provisions
 - Individual mandate will incentivize individuals to obtain coverage, including those eligible for Medicaid but not enrolled
 - Large employer mandate and small employer premium tax credits may incentivize some employers to offer coverage if not offered currently
 - Establishment of Health Benefit Exchange (HBE) and premium subsidies will provide alternative “affordable” options for some individuals
 - Streamlining and simplification of Medicaid enrollment processes will ease the enrollment process for Medicaid-eligibles
 - Enhanced federal funding for CHIP 2016-2019

Purpose of the Study



Not a simple yes or no decision - NH has many options to consider

Phase I: Direct Impact on New Hampshire Medicaid Program

- Impact on enrollment and cost of not expanding Medicaid
- Impact of expanding Medicaid under various policy design options
 - Expansion to 138% FPL
 - Expansion under managed care program
 - Delayed implementation of expansion
 - Moving currently eligible recipients to HBE with federal subsidies
 - Moving certain “currently eligible” to become “newly eligible”
 - This can only occur after expiration of Maintenance of Effort requirements for adults on January 1, 2014

Phase II: Secondary Effects of Expanding versus not Expanding Medicaid

- Impact on state economy
- Impact on health care providers
- Impact on spending for other state programs
- *Estimates to be provided in December 2012*

Data and Methods: Enrollment Estimates

- Lewin Group Health Benefits Simulation Model (HBSM)
 - Uses Current Population Survey (CPS) data compiled by the Bureau of the Census (2008-2010) for New Hampshire
 - Uses Medical Expenditure Panel Survey
 - Models all ACA provisions - with and without Medicaid Expansion
- HBSM used to estimate:
 - Newly eligible and participation
 - “Crowd out” effect
 - “Woodwork” effect
 - “Push out” effect

Data and Methods: Costs for Newly Eligible

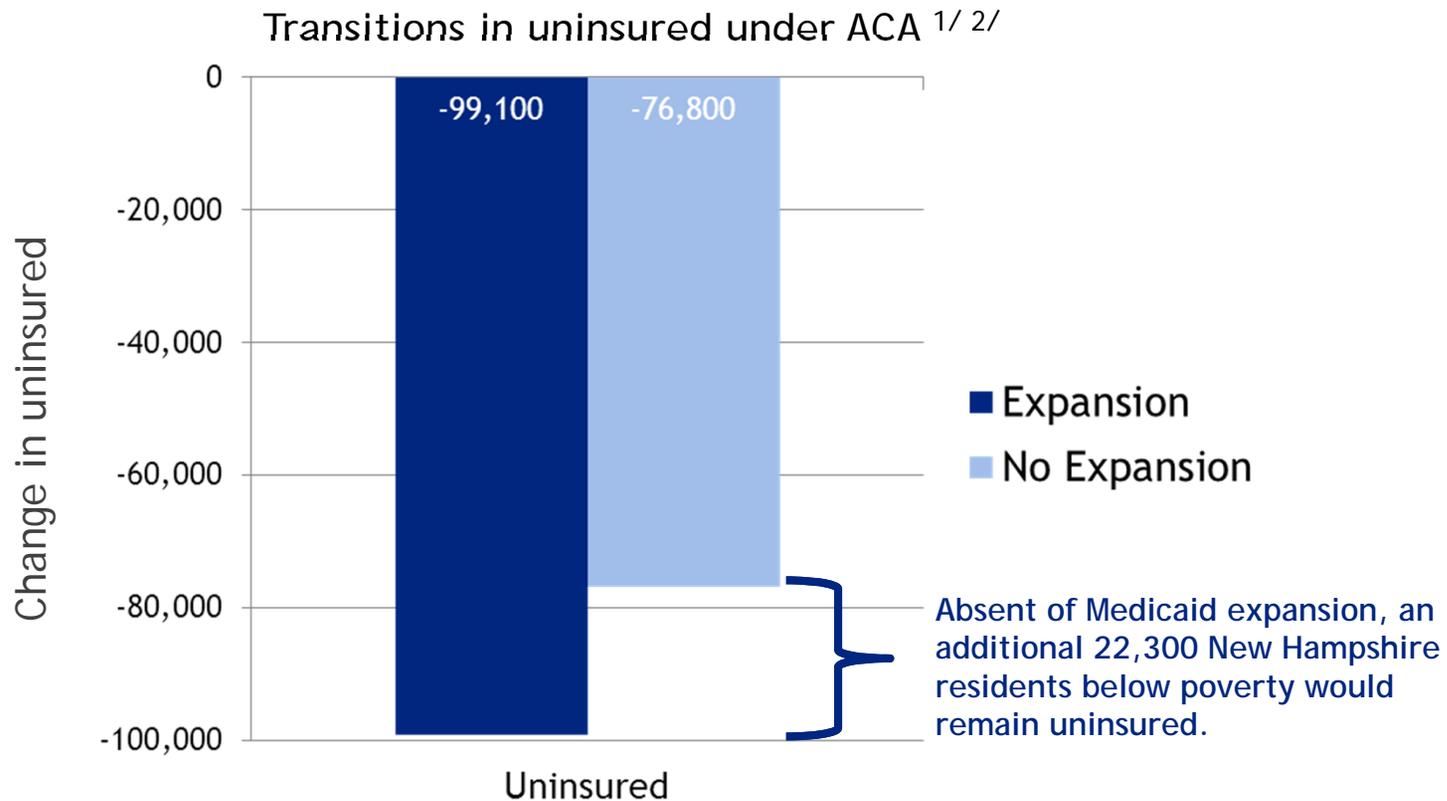
- Cost for new enrollees: OptumInsight compiled multiple data sources on utilization and costs
 - Primary data source: Historical New Hampshire fee-for-service (FFS) Medicaid data (01/2009 to 08/2012)
 - Health Benefits Simulation Model (HBSM) estimates of cost for new enrollees
 - Office of the Actuary's 2011 report
 - Prior published New Hampshire study

Without Medicaid Expansion

There are cost and coverage considerations of not expanding Medicaid

- Due to other ACA provision, New Hampshire Medicaid could save between \$66 and \$114 million if Medicaid is not expanded
 - Due primarily to enhanced federal funding for CHIP
- However, the state would forfeit billions of federal matching dollars
- Also, about 22,000 additional New Hampshire residents below poverty would remain uninsured
 - People below poverty are ineligible for subsidized health coverage
- Reductions in federal allotment for Disproportionate Share Hospital (DSH) Payments will begin in 2014
 - Gradual reduction to 50% by 2019

Without Medicaid Expansion, Uninsured in New Hampshire could still be reduced by 76,800

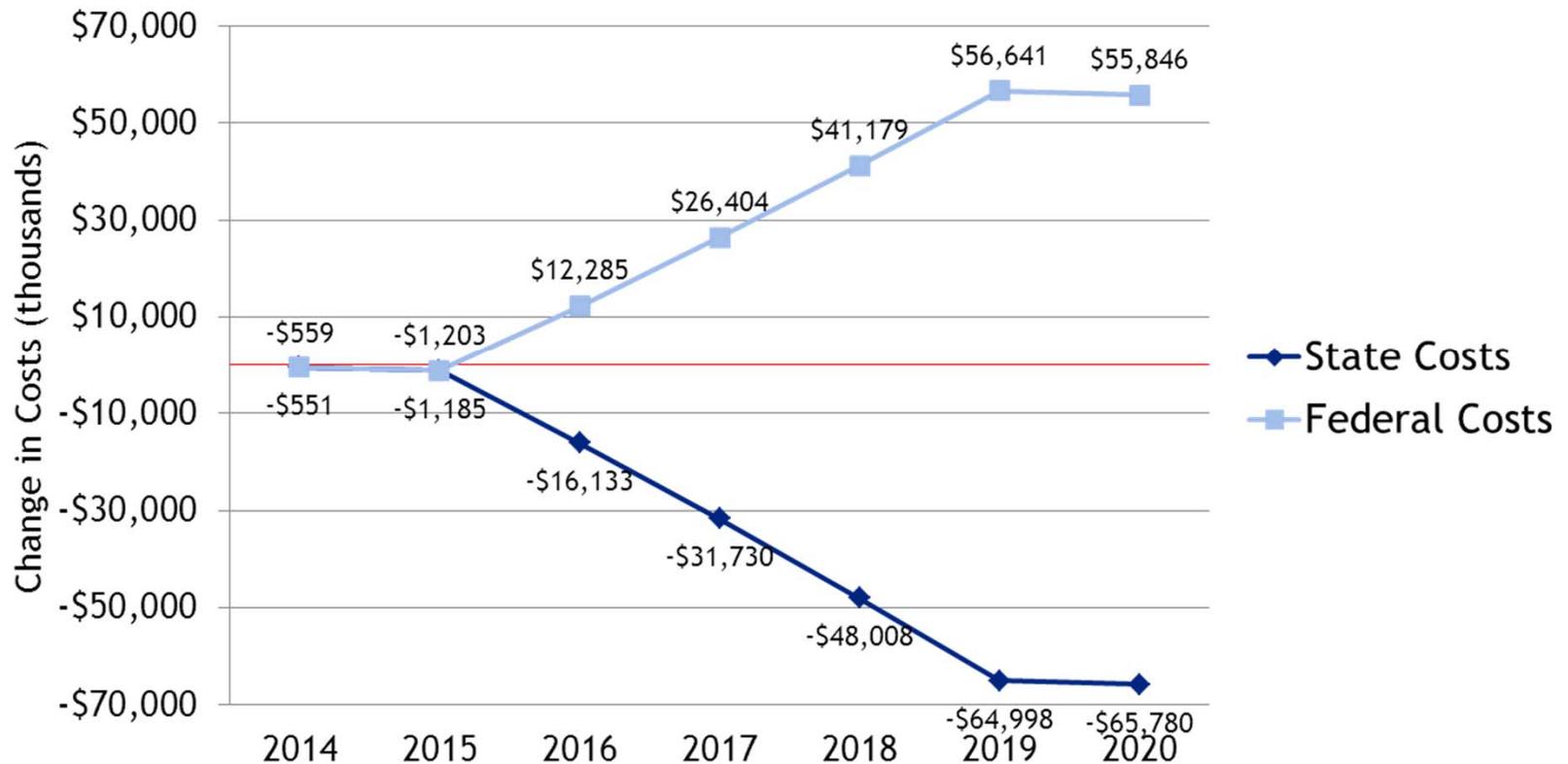


1/ Assumes all ACA provisions are fully implemented and reach ultimate enrollment in 2014.

2/ Without Medicaid expansion assumes subsidized coverage in the Exchange is available for families between 100% and 400% of FPL.

Spending in New Hampshire Medicaid program will be affected even if the expansion is not implemented

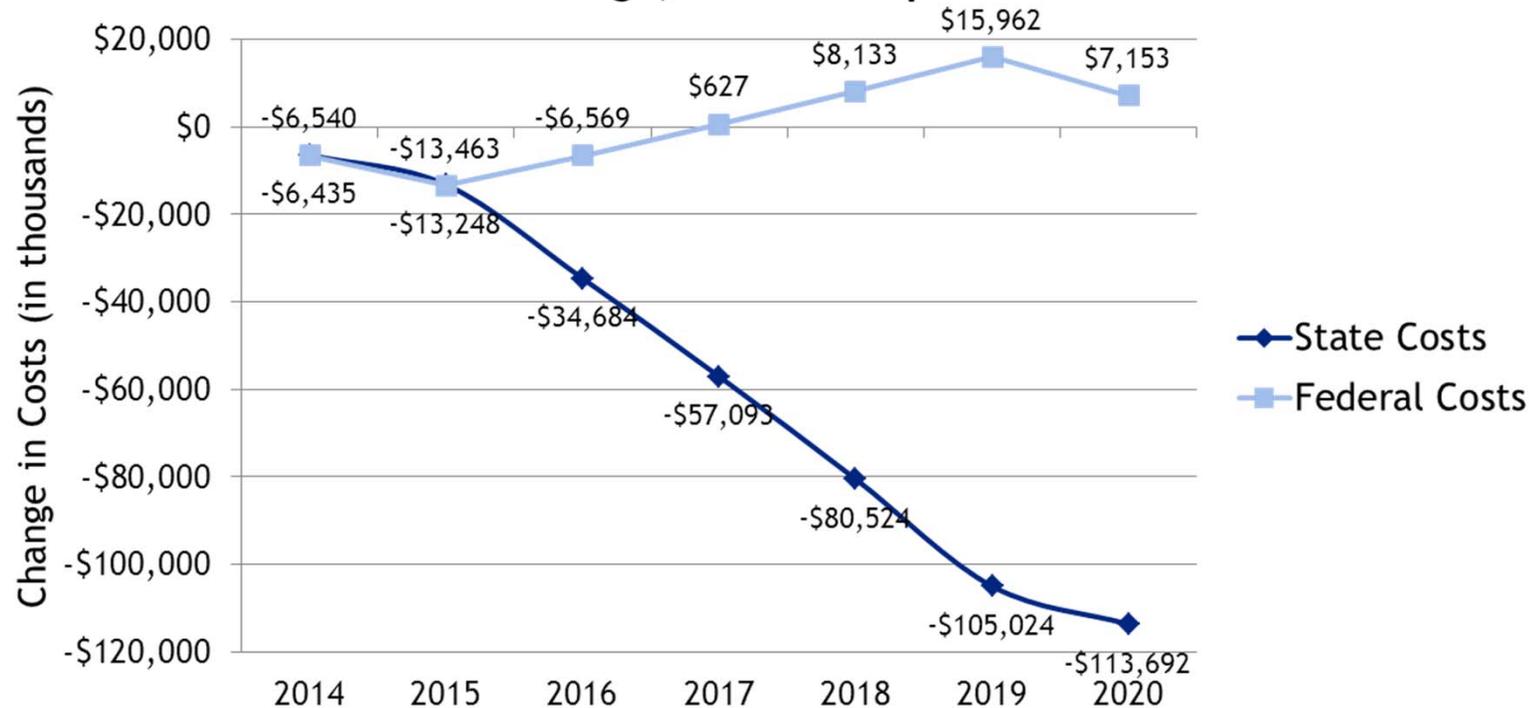
Cumulative Change in Costs without Expansion



Without Medicaid expansion assumes subsidized coverage in the Exchange is available for families between 100% and 400% of FPL.

Option to move current Medicaid adults to HBE could reduce state Medicaid spending by \$114 million without Medicaid expansion

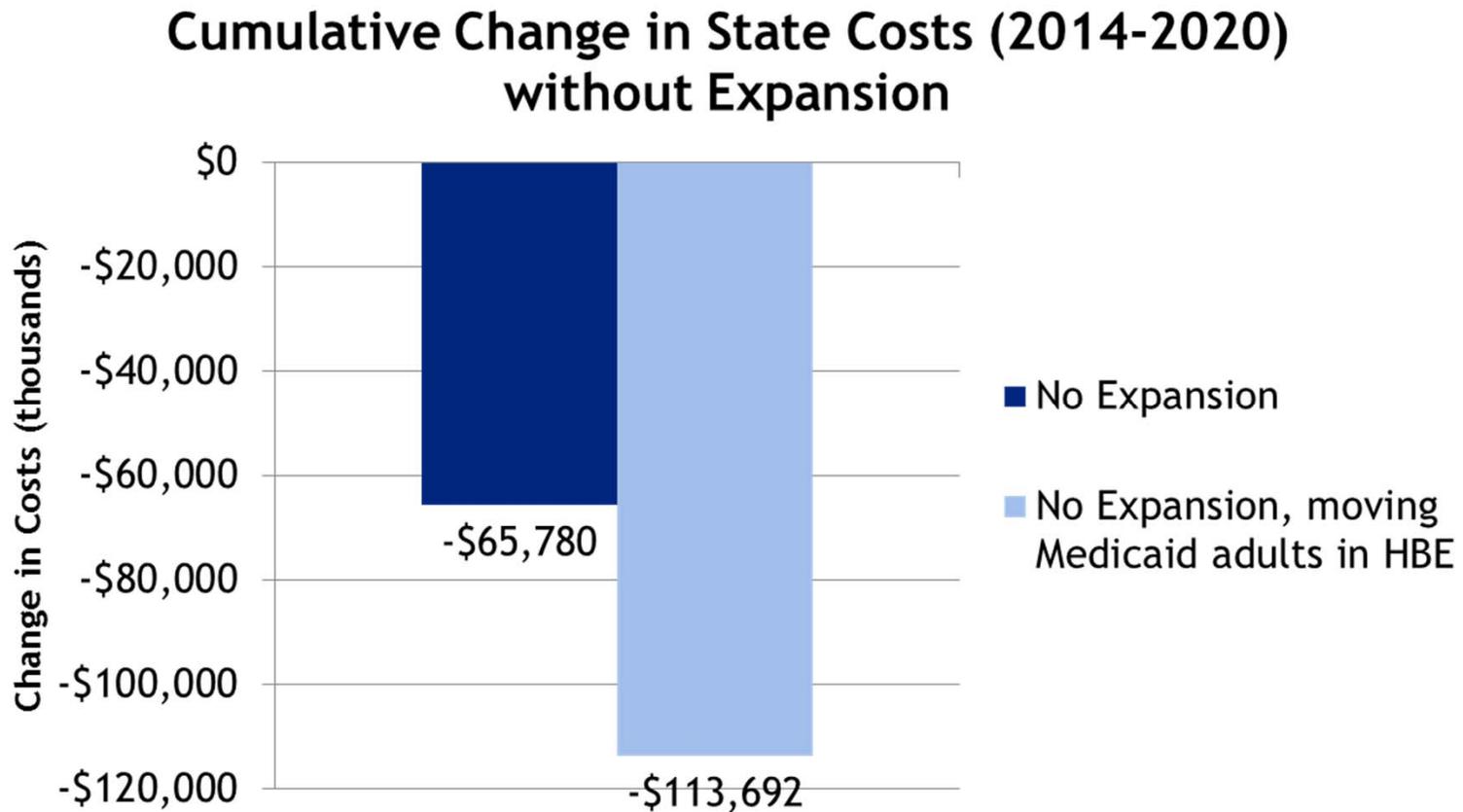
Cumulative Change in Costs from Moving Medicaid Adults to Exchange, without Expansion



1/ Excludes loss of premium revenues from MEAD enrollees over 150% FPL

2/ Does not include federal cost for premium and cost-sharing subsidies in HBE

Without expansion, moving Medicaid adults to HBE saves NH an additional \$48 million

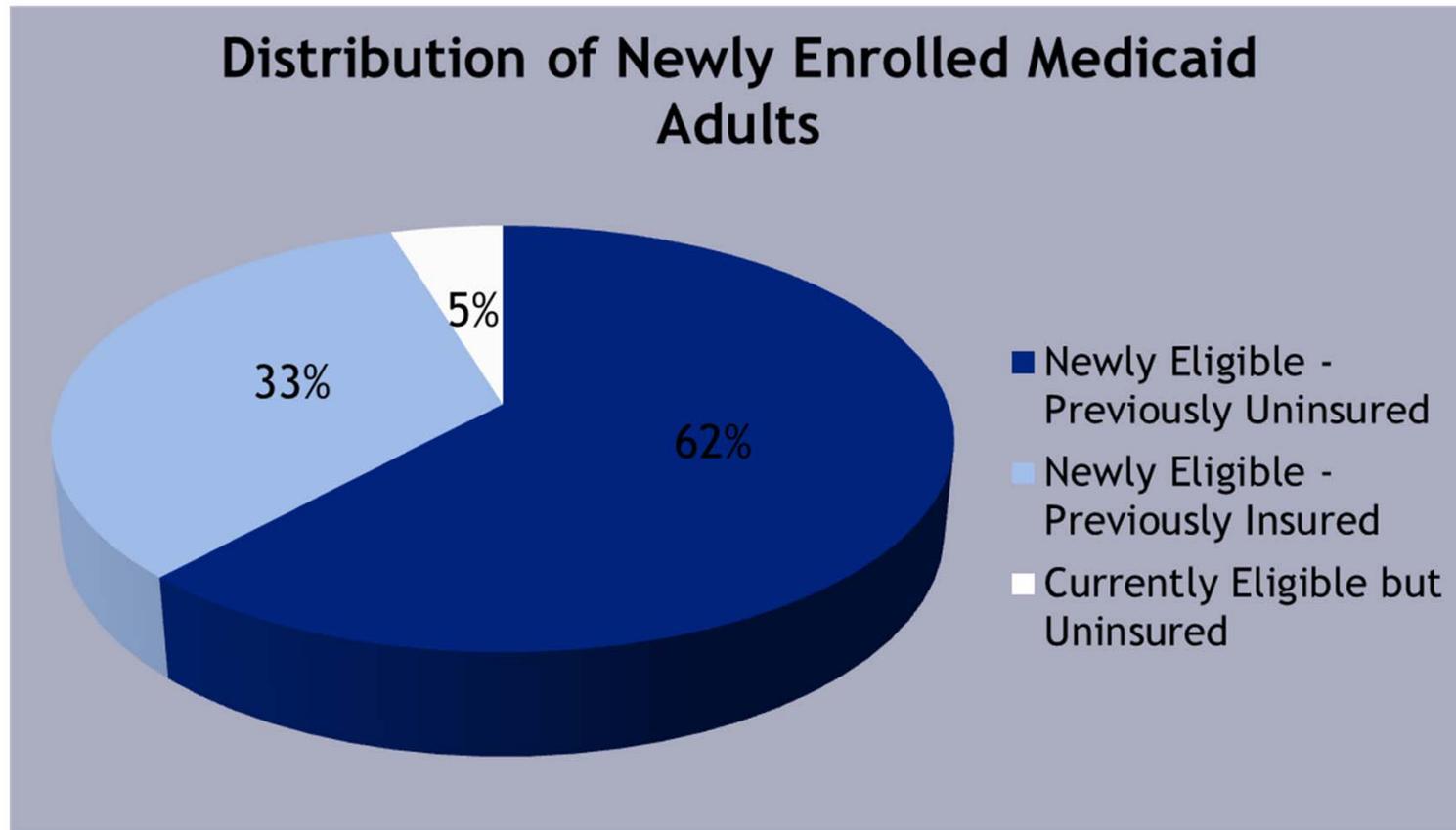


With Medicaid Expansion

New Hampshire has option to expand Medicaid under ACA and receive an enhanced Federal matching rate for newly eligible adults

- State can expand Medicaid to 138% FPL for all adults and receive 100% federal match from 2014-2016
 - Federal match reduced to 90% by 2020
 - State would pay 50% of costs for “woodwork” enrollees and administering program for new enrollees
- There are a variety of options for expanding Medicaid that mitigate cost increases, which can be done alone or in combination. These include:
 - Begin implementation January 1, 2014 or delay implementation to later date (100% federal match available only through 2016)
 - Reduce income eligibility for certain groups to 138% FPL
 - Move some current eligible groups to newly eligible groups
 - Implement program under fee-for-service or managed care

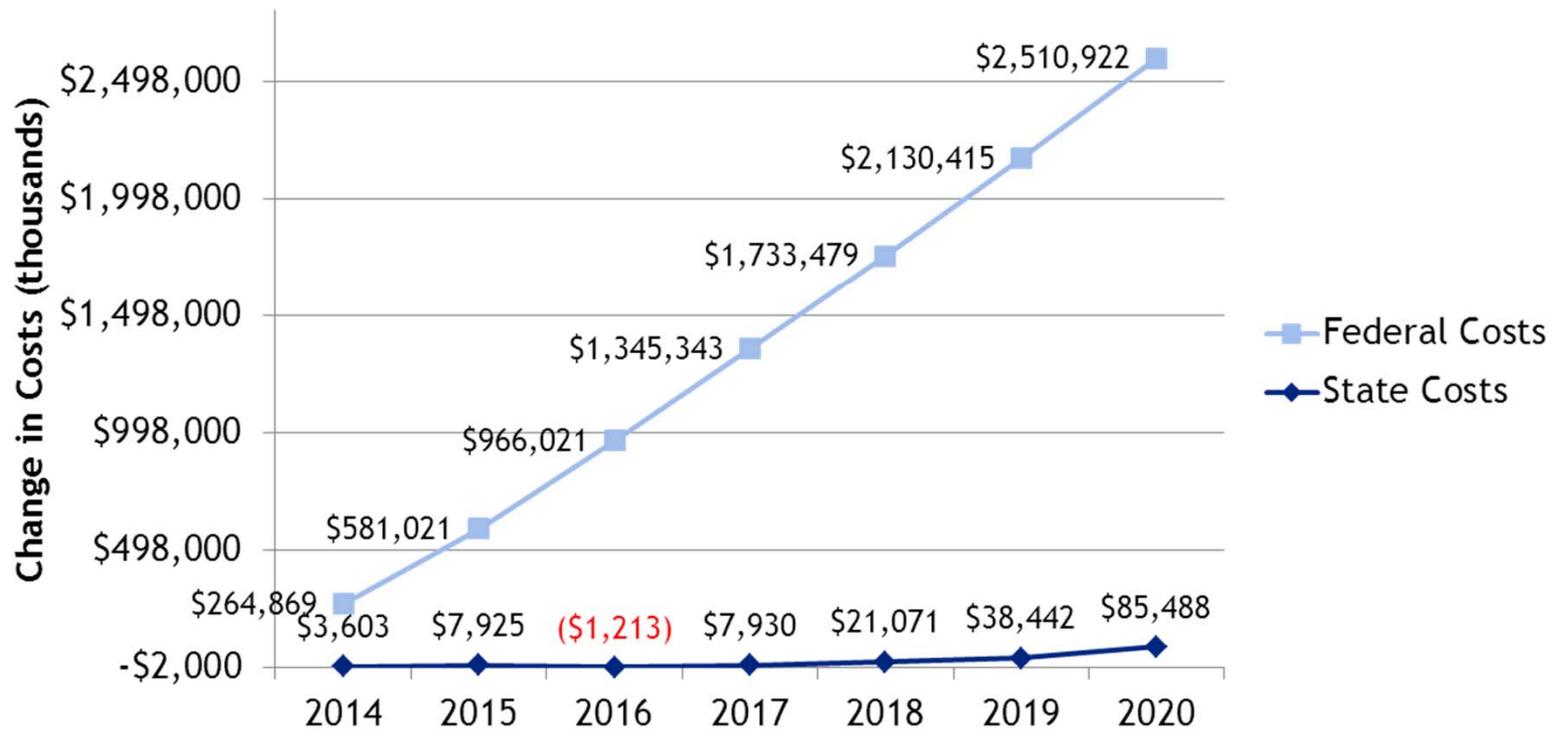
New Hampshire Medicaid enrollment could increase by 58,000 if program is expanded to all adults below 138% FPL ^{1/}



^{1/} Net increase of 58,000 includes a 3,500 reduction for individuals who move from Medicaid to employer coverage

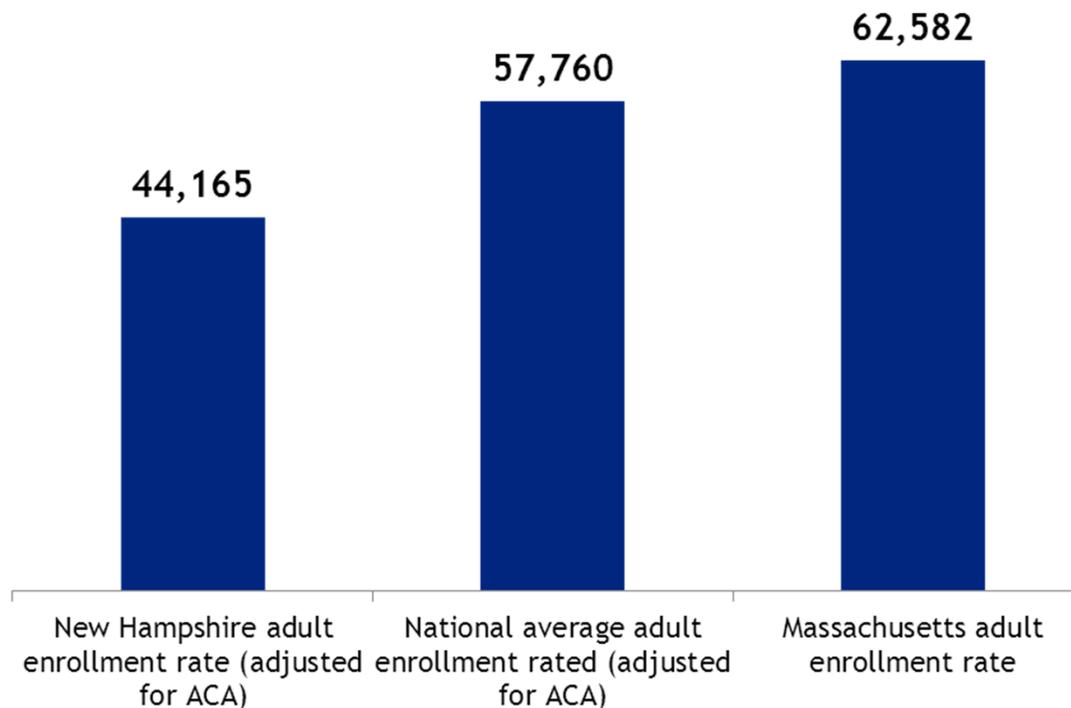
Expanding Medicaid in New Hampshire to adults below 138% FPL, without changing current eligibility, would increase state costs by \$85 million and federal costs by \$2.5 billion from 2014-2020

Cumulative Change in Costs with Expansion (2014-2020)



Enrollment estimates of newly eligible adults can vary depending on participation assumptions

To provide a range of estimates for newly eligibles we performed a sensitivity analysis around potential participation assumptions

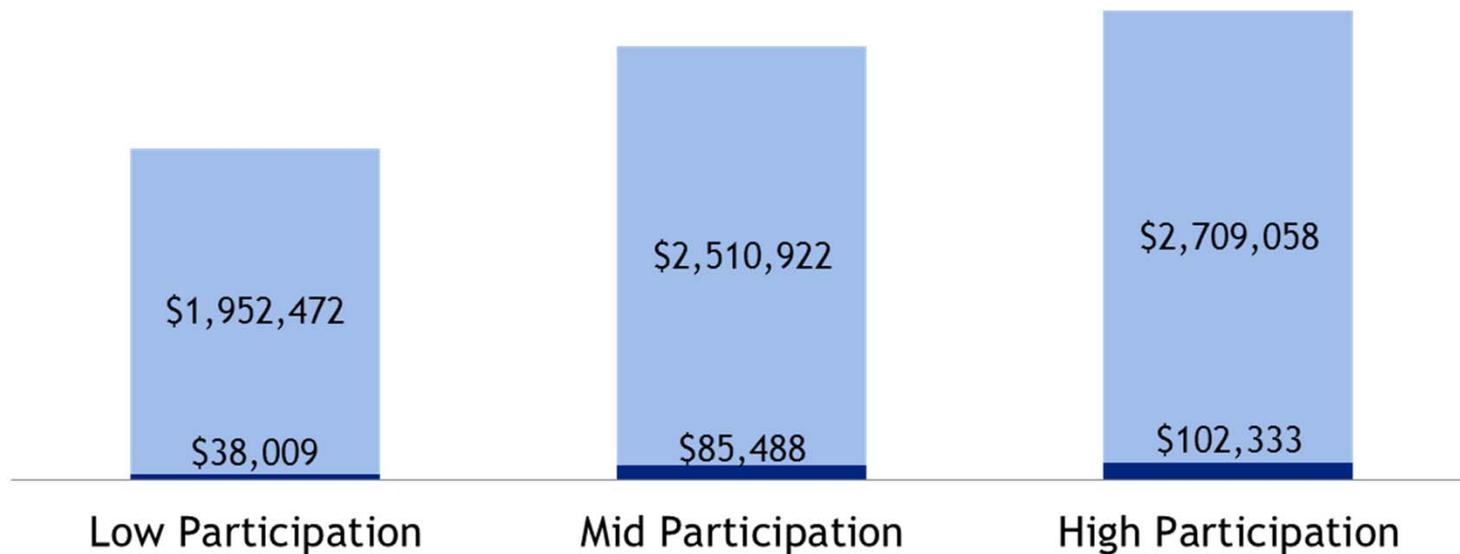


1/ Assumes all ACA provisions are fully implemented and reach ultimate enrollment in 2014.

Under Expansion, cumulative change in state and federal costs (2014-2020) varies by Medicaid participation rate

State Cost of Medicaid Expansion by Participation Rate (in thousands)

■ State Cost ■ Federal Cost

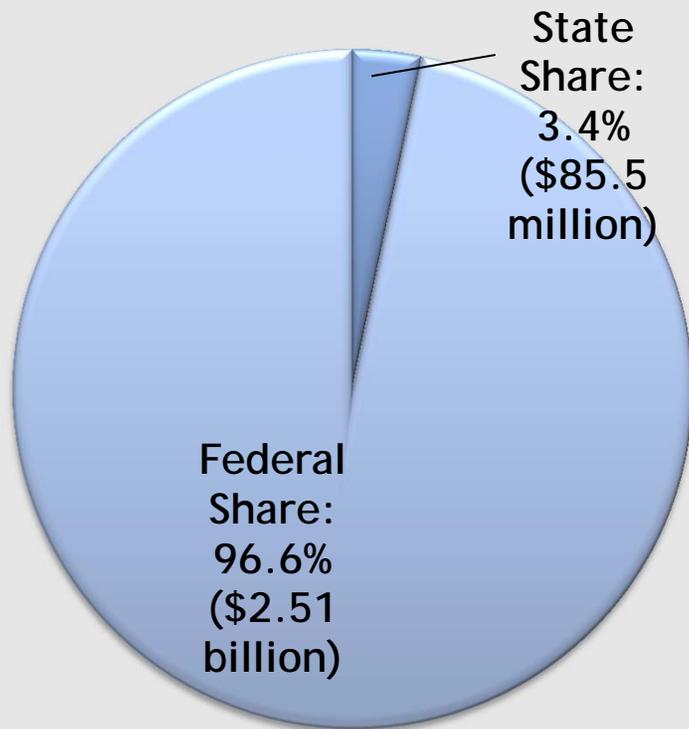


New Hampshire could expand under managed care as enacted by legislature in 2011

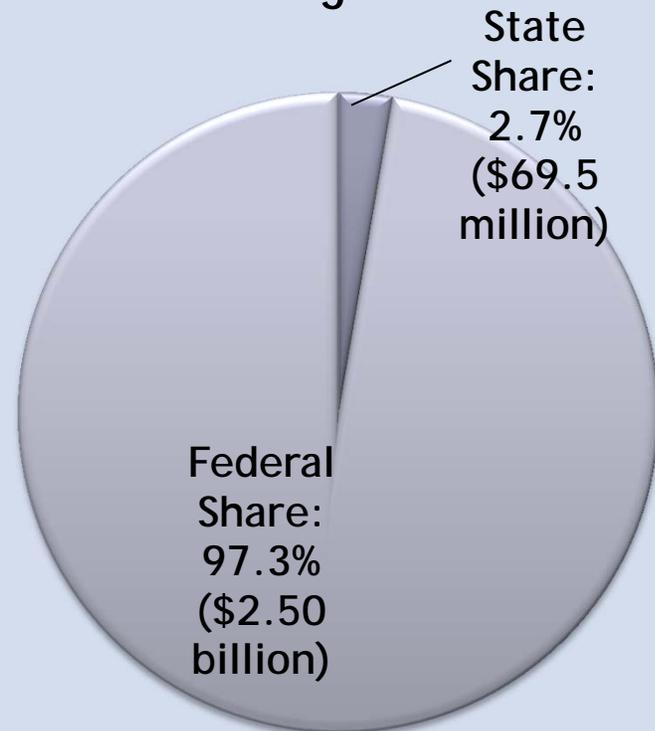
- Medicaid expansion could provide a substantial increase in the number of Medicaid eligibles that could be enrolled in managed care.
 - The additional members could make the program financially viable for plans and help attract plans to participate
- Managed care would dramatically change the way the Medicaid program is administered by the state
- For this analysis, we estimated the cost using managed care rates that we developed

Change in Medicaid Spending Under Expansion to 138% of FPL (2014-2020)

Fee-for-Service Program



Care Management Program



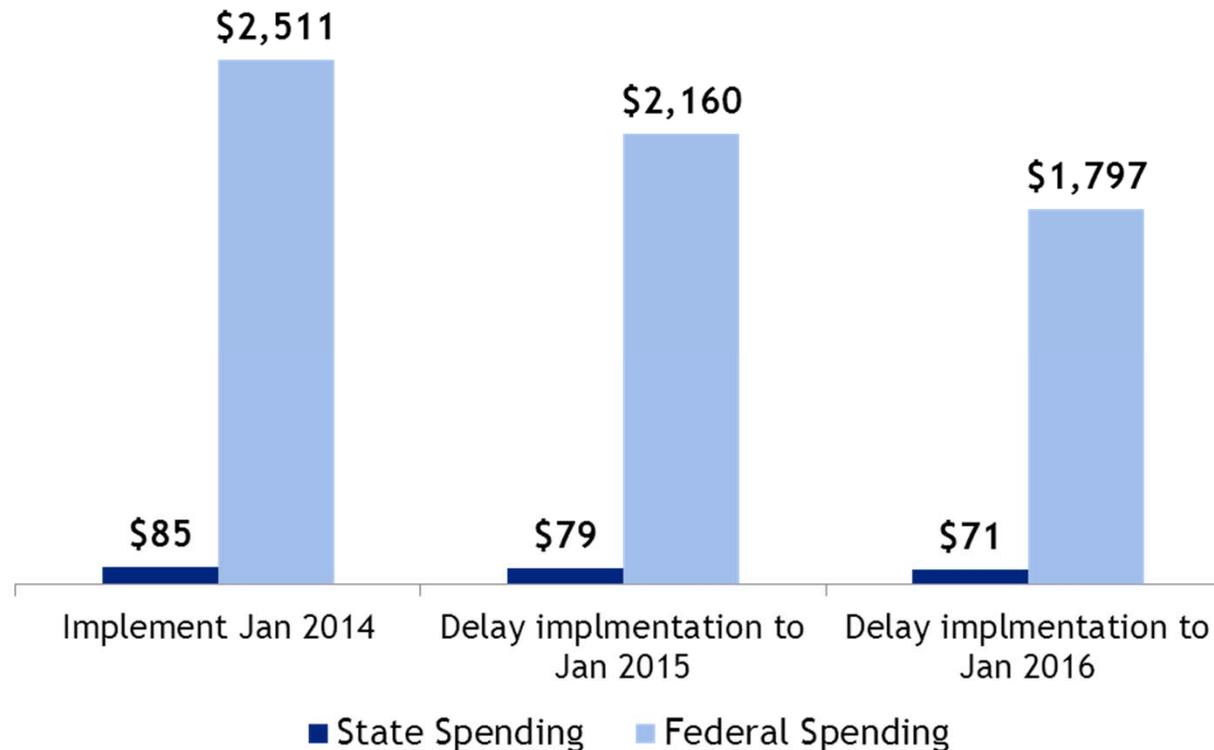
Delaying the implementation of the Medicaid expansion could reduce the cost of the program but lose 100% federal match for a period

- CMS has stated that states may “decide whether and when to expand, and if a state covers the expansion group, it may later drop the coverage.” ^{1/}
- New Hampshire has the option to begin the expansion at any time after January 1, 2014, and still receive the enhanced federal match.
- However, 100 percent federal matching is only available from 2014 through 2016.

1/ Presentation by Cindy Mann, CMS Deputy Administrator to the National Conference of State Legislators, “Medicaid and CHIP: Today and Moving Forward,” August 6, 2012.

Delaying the implementation of the Medicaid expansion would have a small impact on state costs but substantial impact on federal spending

State and Federal Medicaid Spending 2014-2020 (in millions)



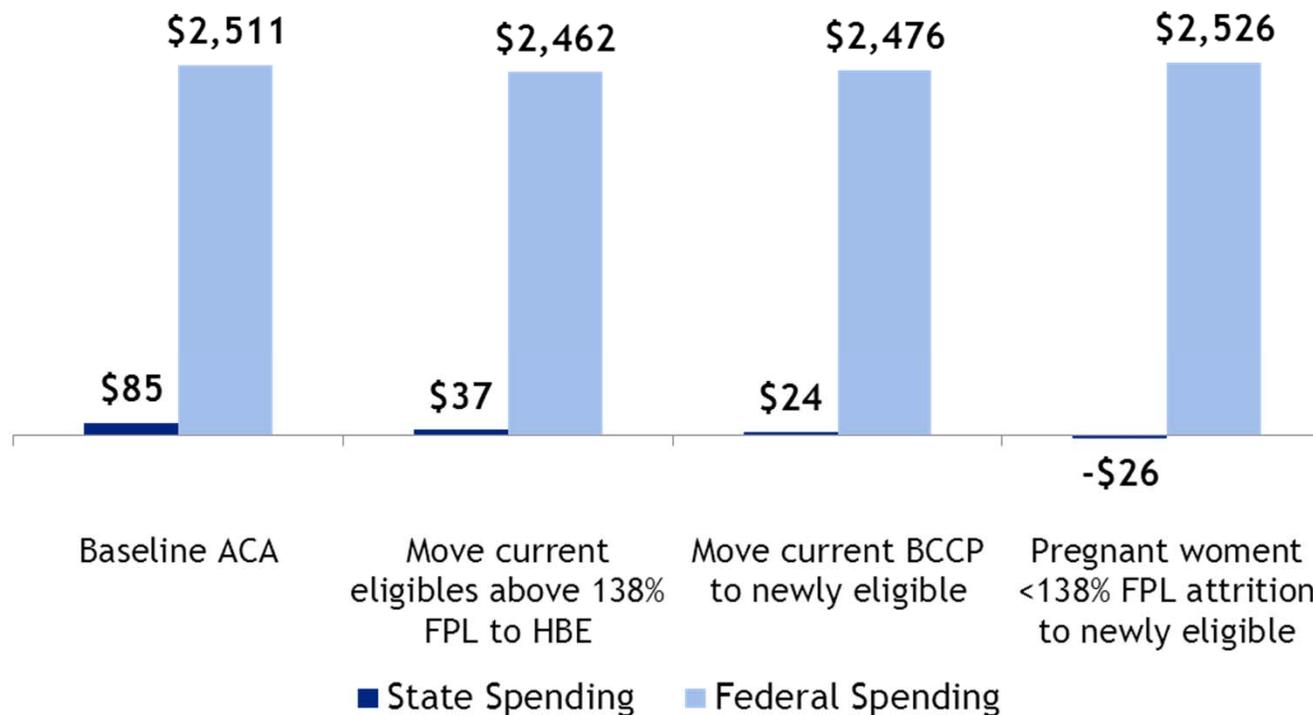
Option to move current Medicaid adults to newly eligible or HBE could reduce state spending

- State has option to move some currently eligible to newly eligible and receive enhanced federal funding
 - Breast and Cervical Cancer Program (BCCP) eligibility category
- As an option, the state could limit eligibility for certain categories of adults at 138% of FPL beginning in 2014 ^{1/}
 - Medicaid for Employed Adults with Disabilities (MEAD), currently covers working disabled individuals to 450% FPL
 - Poverty level pregnant women, currently eligible through 185% of FPL
- More adult women with incomes below 138% of FPL will have enrolled as a newly eligible prior to a pregnancy
 - May be able to receive enhanced federal funding for pregnancy services for this group
 - However, this will depend on future guidance from CMS

^{1/} NH must be connected to the Federally Facilitated Exchange by 10/1/2013 in order for eligible enrollees to receive premium subsidies

Eligibility options under ACA could reduce states costs without substantially reducing federal funding

Cumulative Cost Effects of Medicaid Expansion Eligibility Options
2014-2020 (in millions)



Summary and Next Steps

In this analysis, we provided a range Medicaid expansion scenarios and their impact on state and federal Medicaid spending

Scenario	Cost to State (2014-2020) in \$1,000s	Cost to Federal Government (2014-2020) in \$1,000s
No Expansion:		
1. Baseline	-\$65,779.6	\$55,845.0
2. Moving Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	-\$113,691.4	\$7,154.1
Expansion:		
1. Baseline	\$85,488.0	\$2,510,922.3
2. Low-Range Participation Assumption	\$38,009.2	\$1,952,472.0
3. High-Range Participation Assumption	\$102,333.2	\$2,709,057.8
4. Managed Care Rates	\$69,470.2	\$2,501,073.5
5. Delay Implementation by One Year	\$79,384.2	\$2,158,931.0
6. Delay Implementation by Two Years	\$71,165.5	\$1,797,367.2
7. Move Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	\$37,576.1	\$2,462,231.5
8. Option 7 plus Transition Enrollees Out of Breast and Cervical Cancer Eligibility Category	\$24,021.2	\$2,475,786.4
9. Option 8 plus Attrition of Pregnant Women Below 138 Percent of FPL into "Newly Eligible" Category	-\$26,181.6	\$2,525,989.2

Summary of Phase I study

- If the state does not expand Medicaid, it could reduce state Medicaid spending by \$66 to \$114 million over the 2014-2020 period.
- Most Medicaid expansion options we examined would increase state spending with the exception of a combination of reduced eligibility options.
- However, expanding Medicaid would:
 - Reduce the number of uninsured in the state by an additional 22,300 people
 - Provide subsidized coverage for lowest income adults in the state, who would not have access without the expansion
 - Increase federal revenues in the state by \$1.8 to \$2.7 billion over 2014-2020 period

Next Steps: Phase II

- Impact of the additional federal revenues on the New Hampshire economy if the state expands Medicaid
- Potential impact on other state health program spending
- Impact on Medicaid DSH payments and provider uncompensated care
- Financial impact on providers in the state
- Potential impact on cost shifting and its effect on commercial premiums