

ACA: Medicaid Expansion Option

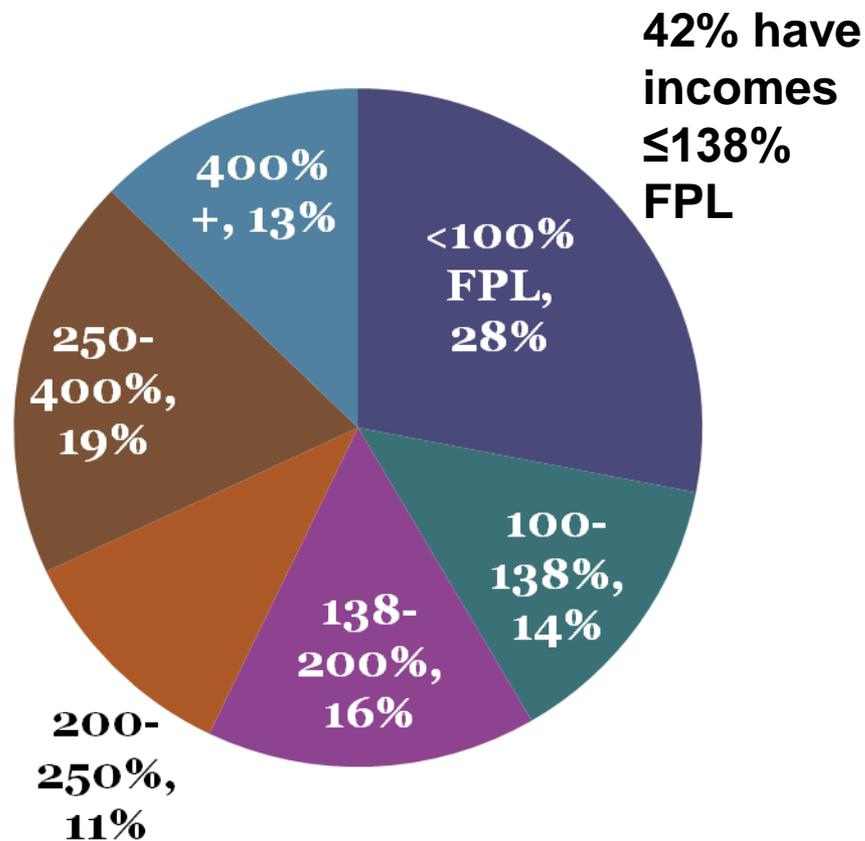
North Carolina Institute of Medicine
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Uninsured in North Carolina

- 1.5 million nonelderly people were uninsured in North Carolina (2010-2011).
- ~71% live in a household where one or more people are working full-time.

Percent Uninsured by Family Income



Coverage Provisions Pre-Supreme Court

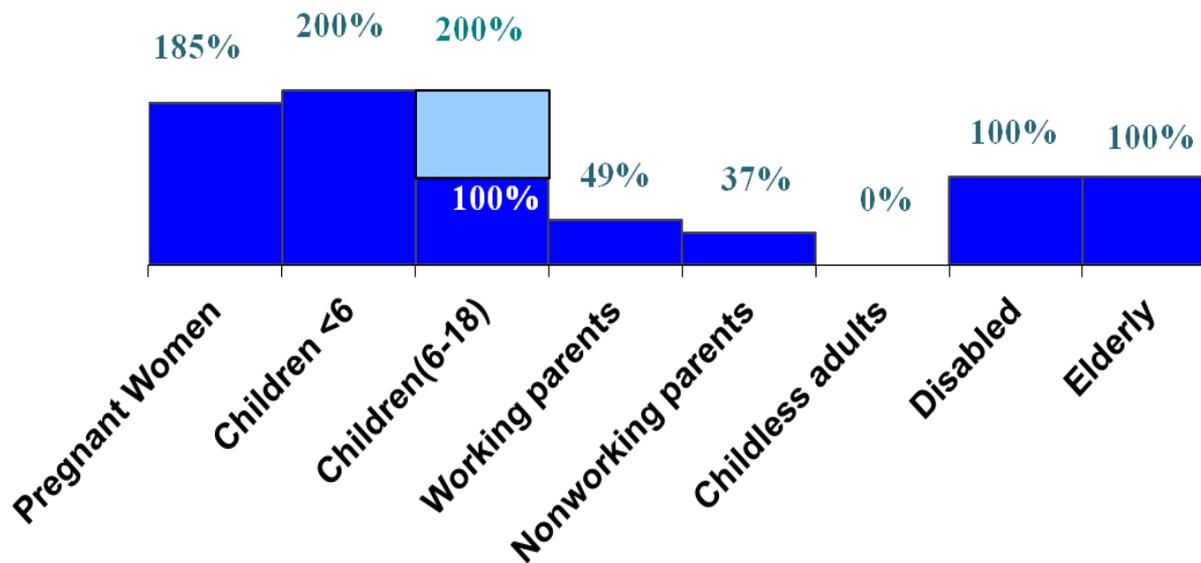
- ACA would have required most people to have health insurance coverage or pay a penalty.
 - *Public coverage*: Most low income people with incomes <138% Federal Poverty Levels (FPL) would gain coverage through Medicaid.
 - *Employer-sponsored insurance*: Most other people would continue to get health insurance through their employer.
 - *Individual, non-group coverage*: Some people would qualify for subsidies to purchase coverage on their own through the Health Insurance Marketplace.

Supreme Court Challenge to ACA

- Chief Justice Roberts issued the opinion for the majority of the court (Breyer, Kagan, Ginsburg, Sotomayor)
 - Upheld the constitutionality of the individual mandate (under Congress' taxing authority).
 - **Struck down the government's enforcement mechanism for the Medicaid expansion, essentially creating a voluntary Medicaid expansion.**
 - Left the rest of the ACA intact.

Existing NC Medicaid Income Eligibility (2012)

■ NC Health Choice ■ Medicaid



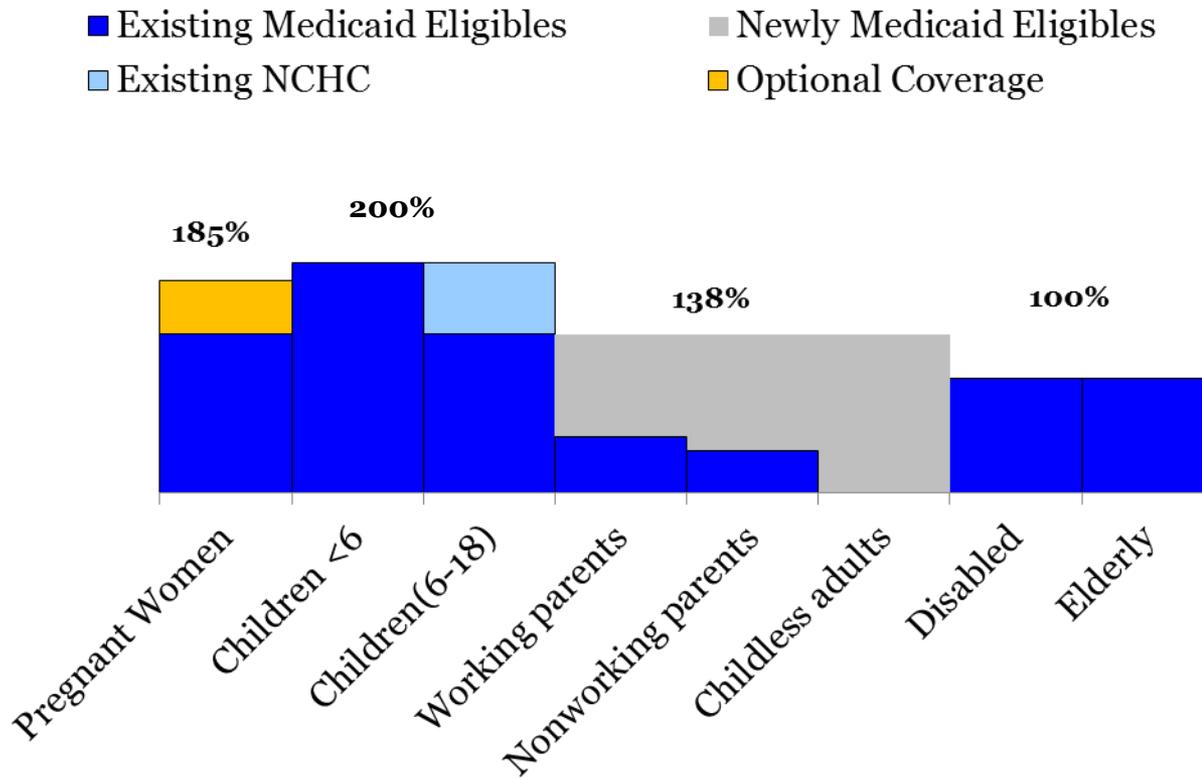
- Currently, childless, non-disabled, non-elderly adults can not qualify for Medicaid

- Because of categorical restrictions, Medicaid only covers 30% of low-income adults in North Carolina

KFF. State Health Facts. Calculations for parents based on a family of three.

Note: 100% FPG (2012) = \$11,170/yr. (1 person), \$15,130 (2 people), \$19,090 (3 people), \$23,050 (4 people)

NC Medicaid Income Eligibility *if Expanded* (2014)



Beginning in 2014, adults can potentially qualify for Medicaid if their income is no greater than 138% FPL, or \$31,809 for a family of four (2012) if state expands Medicaid.

Note: 138% FPL (2012)= \$15,415/yr (1 person), \$20,879 (2 people), \$26,344 (3 people), \$31,809 (4 people).

Caveats on Medicaid Cost Projections

- These cost projections were prepared by staff within the North Carolina Division of Medical Assistance
- Certain assumptions were made, including:
 - DMA estimated different take up rates for different populations, with higher take-up rates for the “newly eligibles” than for those who are already eligible but not enrolled.
 - DMA assumed payment policies and utilization would hold constant.
 - DMA used State Health Plan as the benchmark for the newly eligibles.

Coverage Expansion: Medicaid

- DMA estimates that ~564,000 new people would enroll in Medicaid in SFY 2014 (growing to ~624,000 in SFY 2021).
 - This includes both the woodwork and newly eligibles
- Of the new enrollees in 2014:
 - 88% will be newly eligible (e.g., they would not qualify if they applied under current eligibility rules)
 - 12% will be “existing eligibles but not enrolled” or “woodwork” (e.g., they may not currently be enrolled, but are eligible under current eligibility rules)

NC Cost of Medicaid Coverage

- The federal government pays a higher percentage of Medicaid health care (“service”) costs for “newly eligibles” vs. “woodwork/existing eligibles.”
 - The federal government will pay 100% of the service costs of the newly eligibles (2014-2016), 95% (2017), 94% (2018), 93% (2019), then phases down to 90% thereafter.
 - The federal government generally pays 65% of the service costs of the existing eligibles.*

* Note: different federal match rates apply to administrative costs, and family planning services.

Most Low-Income Uninsured are Ineligible for Subsidies

- The ACA envisioned that most low-income people would gain coverage through Medicaid.
- If states chooses not to expand Medicaid, low income people (with incomes <100% FPL) will *not* be eligible for subsidies in the Health Insurance Marketplace.
 - The ACA limits subsidies to individuals with incomes that exceed 100% FPL (Sec. 1401, amending Sec. 36B(c)(1) of the Internal Revenue Code).

Economic Factors to Consider in Determining Net Costs to the State

1. Service costs of existing eligibles
 - Savings from enhanced pharmaceutical rebates and CHIP enhancement
2. Service costs of new eligibles
 - Savings from pharmaceutical rebates and reductions in state programs for uninsured
3. New administrative costs
4. Other economic impacts
5. Savings that could occur from transitioning current Medicaid population to new eligibility groups

Cost Offsets: Pharmaceutical Rebates

- Drug manufacturers provide a rebate to the federal and state Medicaid agencies for outpatient drugs dispensed to Medicaid recipients.
- The rebate is shared between the federal and state government based on the regular FMAP rate.

Cost Offsets: Woodwork

- ACA reauthorized CHIP through 2019.*
- ACA requires states to move children into Medicaid if their income is below 138% FPL.
 - In North Carolina, we need to move ~58,000 children ages 6-18 with incomes between 100-138% into Medicaid (and out of CHIP).
- ACA includes an enhanced federal match rate of 23 percentage points (FFY 2016-2019).
 - NC currently has an ~76% federal match, so the 23 percentage point increase effectively reduces state CHIP expenditures to close to \$0.

*While CHIP is authorized through 2019, funding has been appropriated through 2015. The federal government will need to appropriate funds to operate the program through 2019.

Administrative Costs

- Administrative costs
 - There will be new administrative costs in determining eligibility for more people, but more of the eligibility determination will be automated.
 - State gets a higher federal match rate to develop new eligibility system.

New State Costs of Services: Woodwork (in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
New elig	69,683	72,426	75,340	78,035	80,890	83,859	85,888	87,127	
Gross Costs: NC	\$37	\$102	\$169	\$180	\$191	\$203	\$211	\$216	\$1,310
Drug Rebate:NC	-\$0.3	-5	-\$8	-\$11	-\$12	-\$13	-\$14	-\$16	-\$79
CHIP enhance	0	0	-\$64	-\$88	-\$90	-\$92			-\$335
Admin:NC	\$1	\$2	\$2	\$2	\$2	\$2	\$2	\$2	\$16
Net Costs:NC	\$37	\$99	\$98	\$83	\$92	\$101	\$199	\$203	\$912
Net Fed'l with CHIP	\$69	\$183	\$365	\$404	\$426	\$448	\$367	\$375	\$2,636

Cost Offsets: Expansion

- There are currently state programs in which we spend 100% state funds to provide services to the uninsured.
- Some of these costs could be covered by Medicaid (drawing down federal match). Examples:
 - Inpatient hospital costs for prisoners
 - Mental health and substance abuse services (Integrated Payment and Reporting System dollars, beyond the amount needed to match federal grant funds)
 - AIDS Drug Assistance Program state funds (beyond the amount needed to match federal grant funds)

Cost Offsets Example: Mental Health

- Currently, North Carolina provides mental health and substance abuse services to low-income people who are uninsured.
 - Part of these costs are paid for by federal block grant funds.
 - Some of the costs are paid for by state appropriations.
 - If North Carolina chooses to expand Medicaid, many of the people who are currently uninsured will be eligible for Medicaid and receive mental health services through Medicaid.
 - This will free up state dollars that are being used to provide the same services to the same population (offsets).
 - These “offsets” can be redirected to help pay the state share of Medicaid expansion.

Offsets for State-Funded Programs

(in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
DMH/DD/ SAS	-\$8.2	-\$16	-16	-\$16	-\$16	-\$16	-\$16	-\$16	-\$123
AIDS Drug Assistance Program (ADAP)	-\$14	-\$29	-\$29	-\$29	-\$29	-\$29	-\$29	-\$29	-\$215
Correct- ions	-\$8	-\$17	-\$17	-\$17	-\$17	-\$17	-\$17	-\$17	-\$127
Total Offsets	-\$31	-\$62	-\$465						

Other Economic Benefits From Expansion

- DHHS contracted with Regional Economic Models, Inc. (REMI) to conduct an analysis of the economic impact of the Medicaid expansion on North Carolina.
 - REMI is the economic forecasting tool used by the Fiscal Research Division of the NC General Assembly
 - REMI conducted an analysis of the number of new jobs likely to be created, impact on the state's Gross Domestic Product, and potential new revenues generated.

REMI's Analysis

- REMI projected that if North Carolina expands Medicaid to 138% FPL:
 - Approximately 25,000 new jobs would be created by 2016 (with a decline to 18,000 jobs by 2021).
 - The new federal revenue and economic activity would increase the annual state GDP by \$1.3-\$1.7 billion/year.
 - The new GDP would increase state revenues by approximately \$497 million by 2021.*

REMI determined that historically, North Carolina generates approximately 4.5% of its GDP in state tax revenues. REMI used this historical average ratio to generate estimates on new tax revenues.

New State Costs: Expansion (in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	Total
New elig	494,010	500,058	506,818	512,906	519,684	525,830	531,264	536,481	
Gross Costs	\$0	\$0	\$0	\$84	\$132	\$159	\$222	\$244	\$841
Drug Rebate	-\$0	-\$0	-\$0	-\$6	-\$9	-\$11	-\$16	-\$19	-\$61
State Offsets	-\$31	-\$62	-\$62	-\$62	-\$62	-\$62	-\$62	-\$62	-\$465
Admin	\$10	\$15	\$15	\$15	\$15	\$15	\$15	\$16	\$116
New Taxes	\$-17	-\$73	-\$77	-\$72	-\$69	-\$67	-\$62	-\$61	-\$497
NC Net Costs	-\$38	-\$121	-\$124	-\$40	\$8	\$34	\$97	\$119	-\$65
Net Fed'l	\$527	\$2,042	\$2,066	\$2,027	\$2,034	\$2,051	\$2,118	\$2,040	\$14,815

Other Economic Considerations

- Transitioning current Medicaid recipients into newly eligible categories
 - There are some categories of eligibles that may be considered “new eligibles” and qualify for higher match (e.g., medically needy, breast and cervical cancer, family planning waiver)
 - State has not yet estimated potential savings from these groups.

DMA Estimates for New and Existing Eligibles (2014-2021)*

	Woodwork (Existing Eligibles)	New Eligibles
Eligibles	~70,000-87,000	~494,000-536,000
State	\$912.0 million	\$-65.4 million
Federal	\$2.6 billion	\$14.8billion
Total	\$3.5 billion	\$15.7 billion

- * Includes service costs, all the offsets (CHIP enhancement, AIDS Drug Assistance Program (ADAP), mental health, corrections), administrative costs, and new tax revenues (expansion only). (REMI analysis)
- * North Carolina must pay its share of the cost of covering “woodwork” regardless of whether the state expands Medicaid to cover newly eligibles.