

Montana Healthcare Forum Conference November 28, 2012



**ESTIMATING THE FINANCIAL IMPACT OF
THE MEDICAID EXPANSION**

**BUREAU OF BUSINESS AND ECONOMIC
RESEARCH**

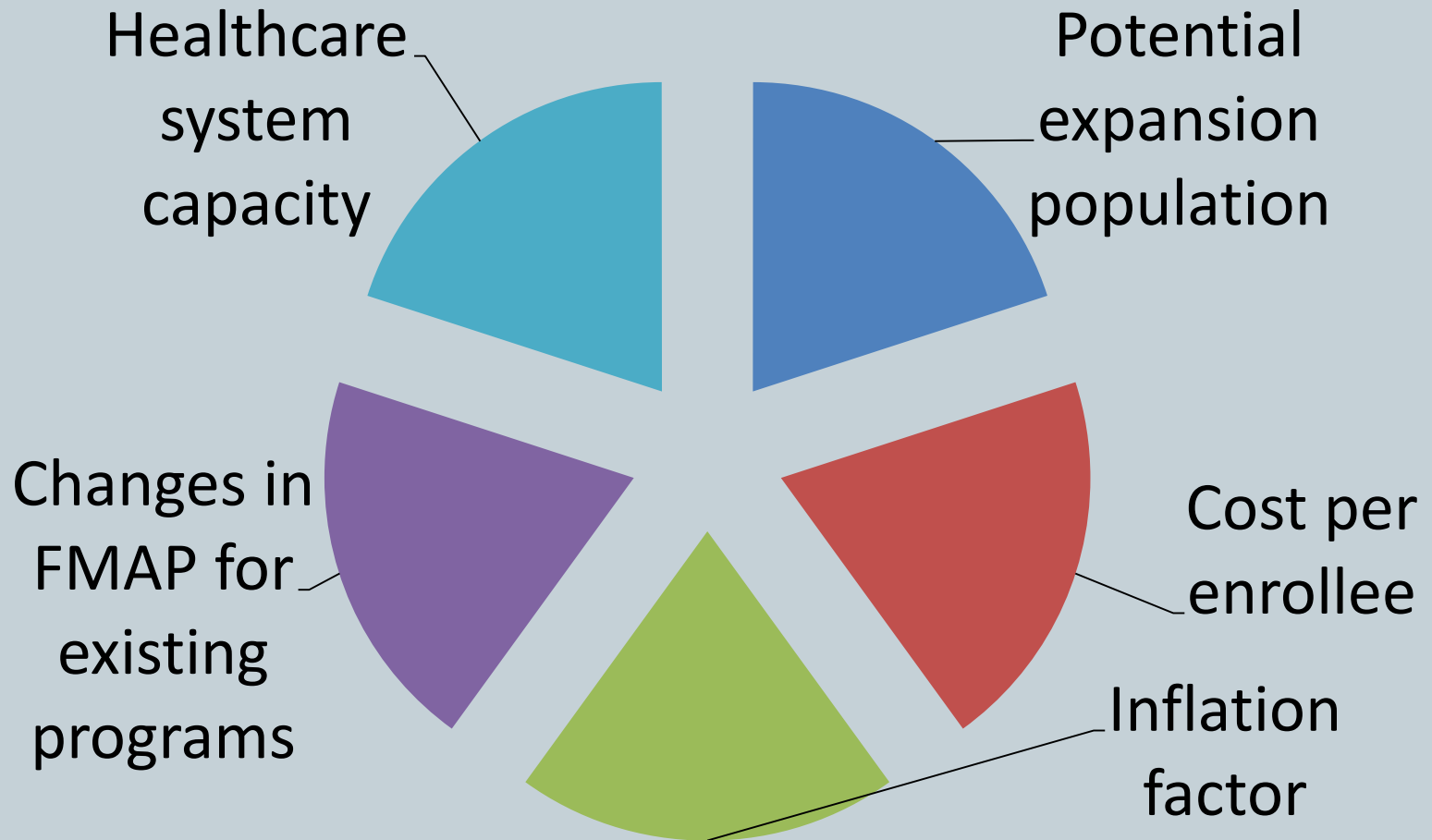
THE UNIVERSITY OF MONTANA

The Medicaid Expansion: Who's In and Who's Out? (pre-election, **post-election**)

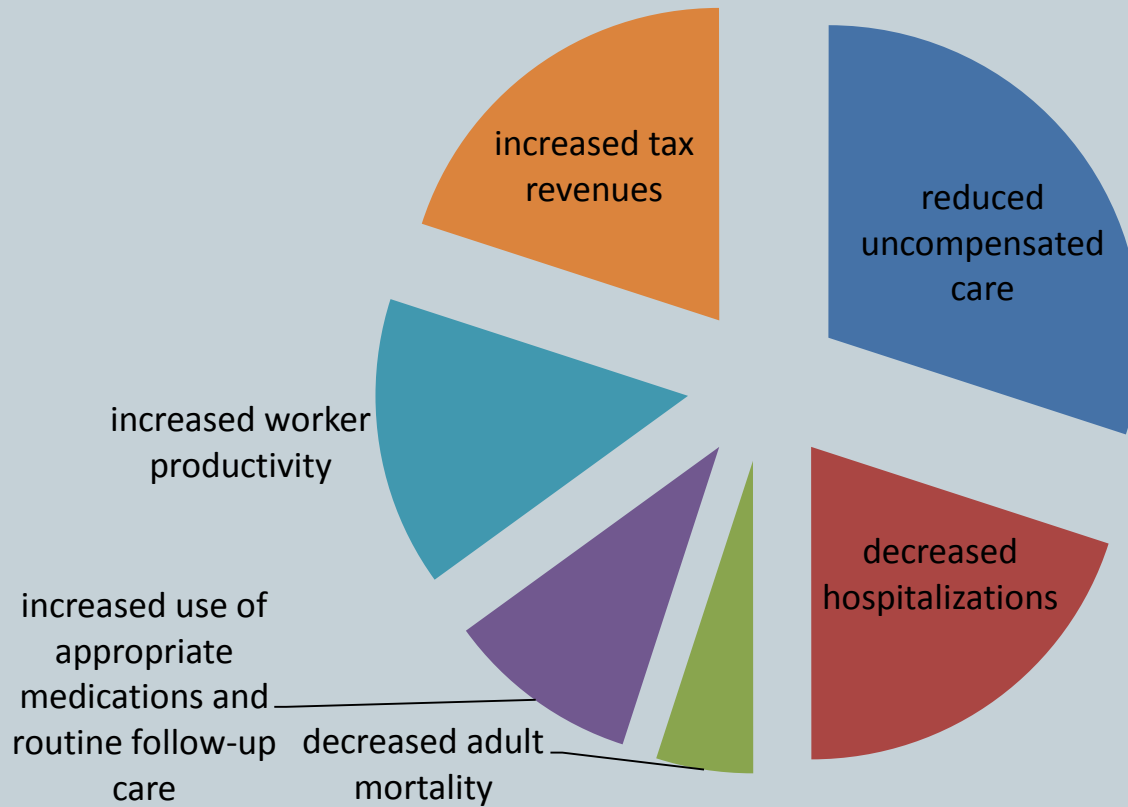


Expand Medicaid to 138% FPL	Number of States
No expansion	6 (FL,GA,LA,MS,SC,TX) 8 (GA, LA, MS, SC,TX, OK, AL, ME)
Leaning toward “No expansion”	5 5
Yes to expansion	12 12
Leaning toward “Yes to expansion”	2 5
Undecided	25 20

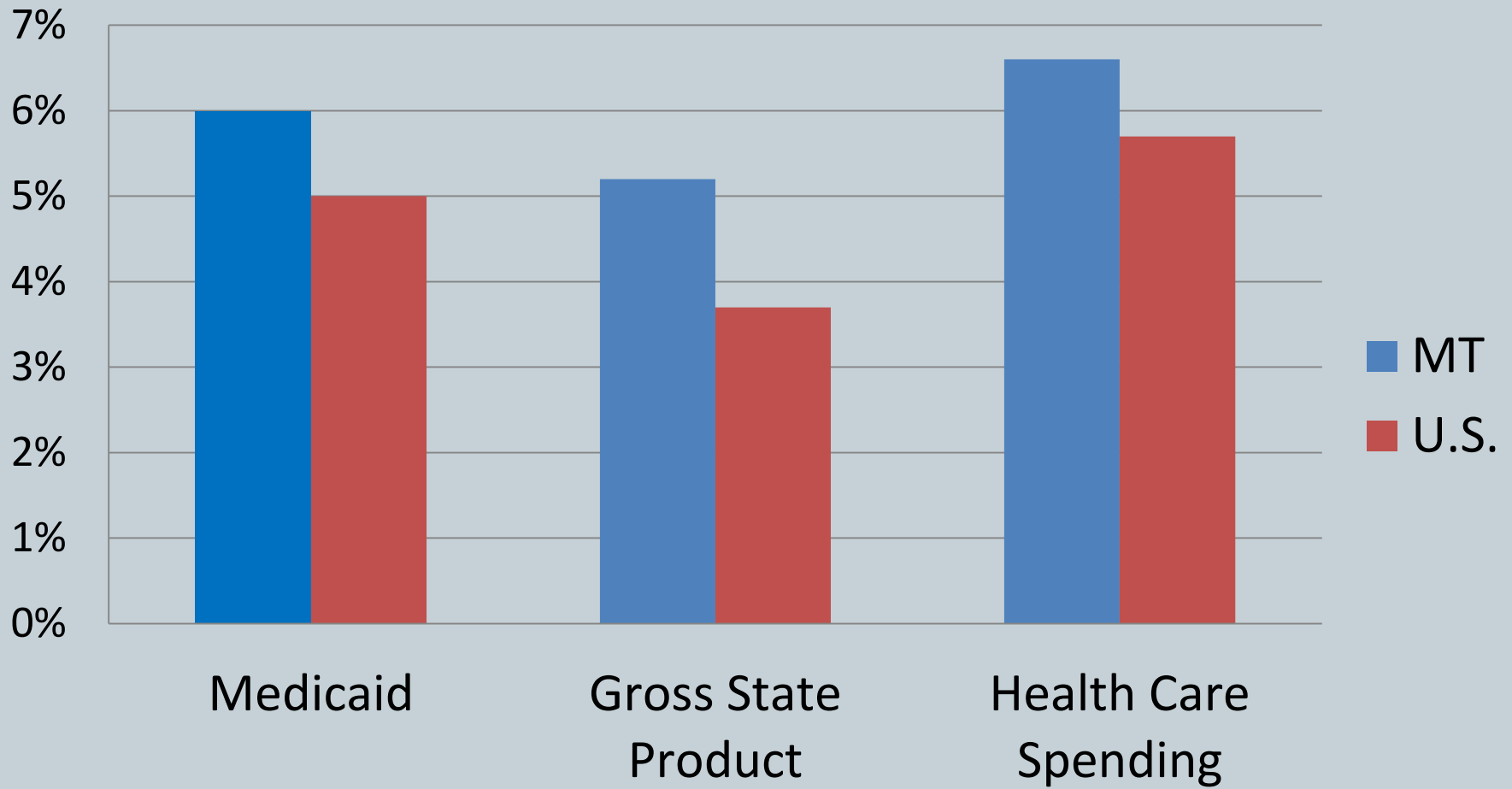
Major Cost Drivers in Medicaid Expansion



Benefits associated with reducing uninsured rate



Average Annual Growth Rates, 2004-2009



Annual change in per capita spending AFTER health care, Montana (2009 \$)

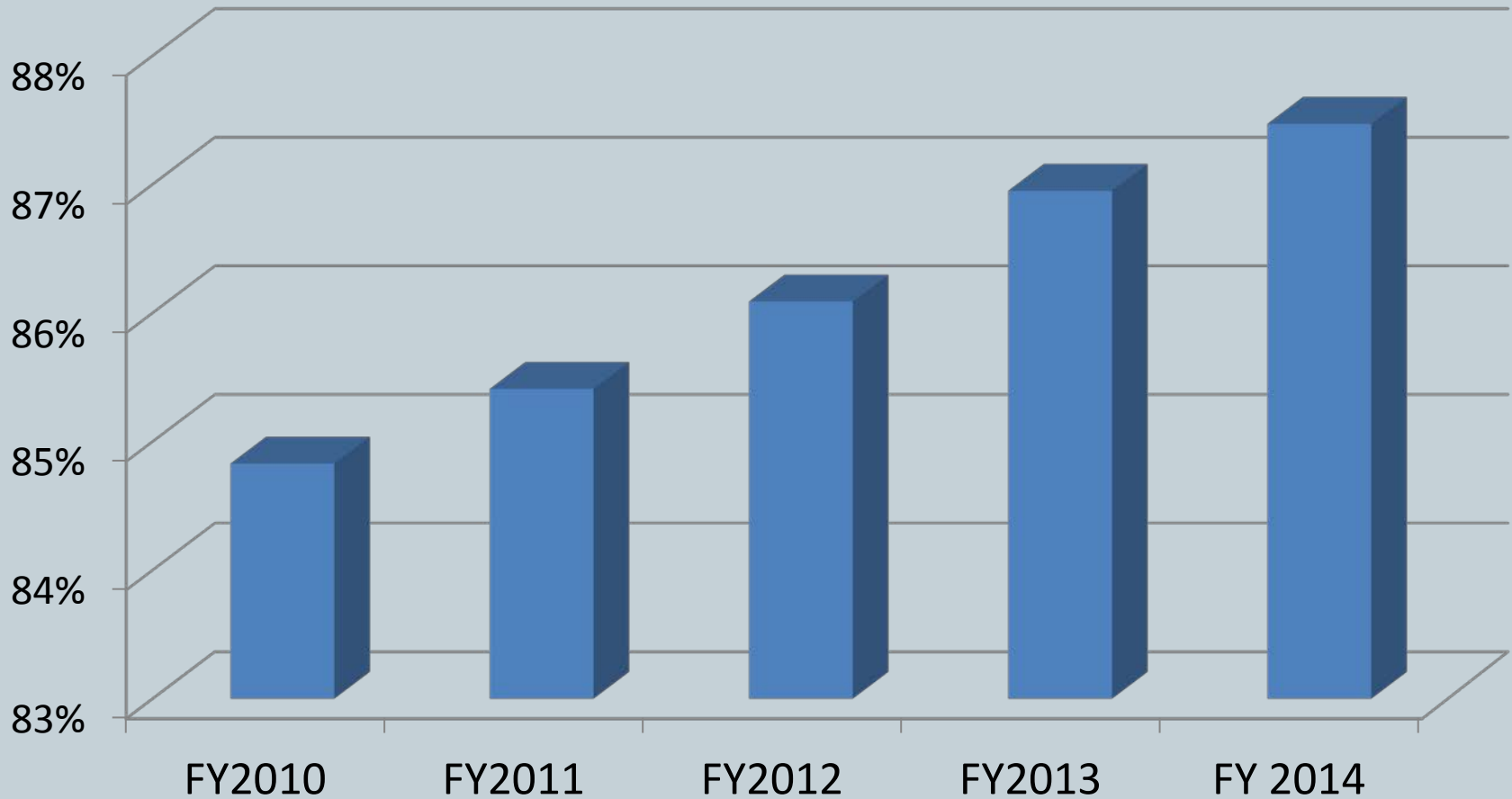


Medicaid Economics

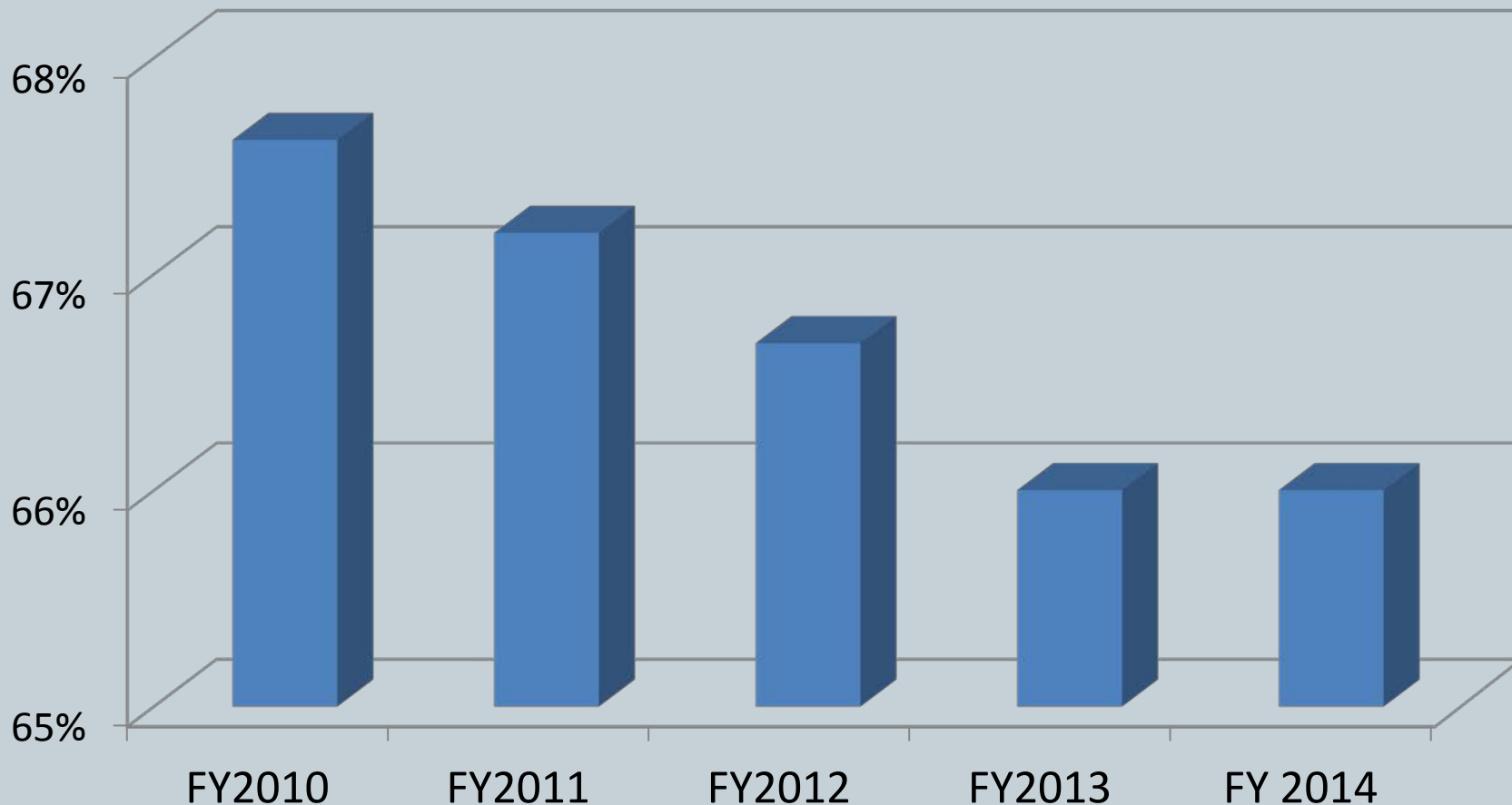


- **Annually revised FMAP for current beneficiaries**
- **Expansion FMAP = 100% for first 3 years for those enrolled under new eligibility standards**
- **Ramps down to 90% by 2020, and stays there**

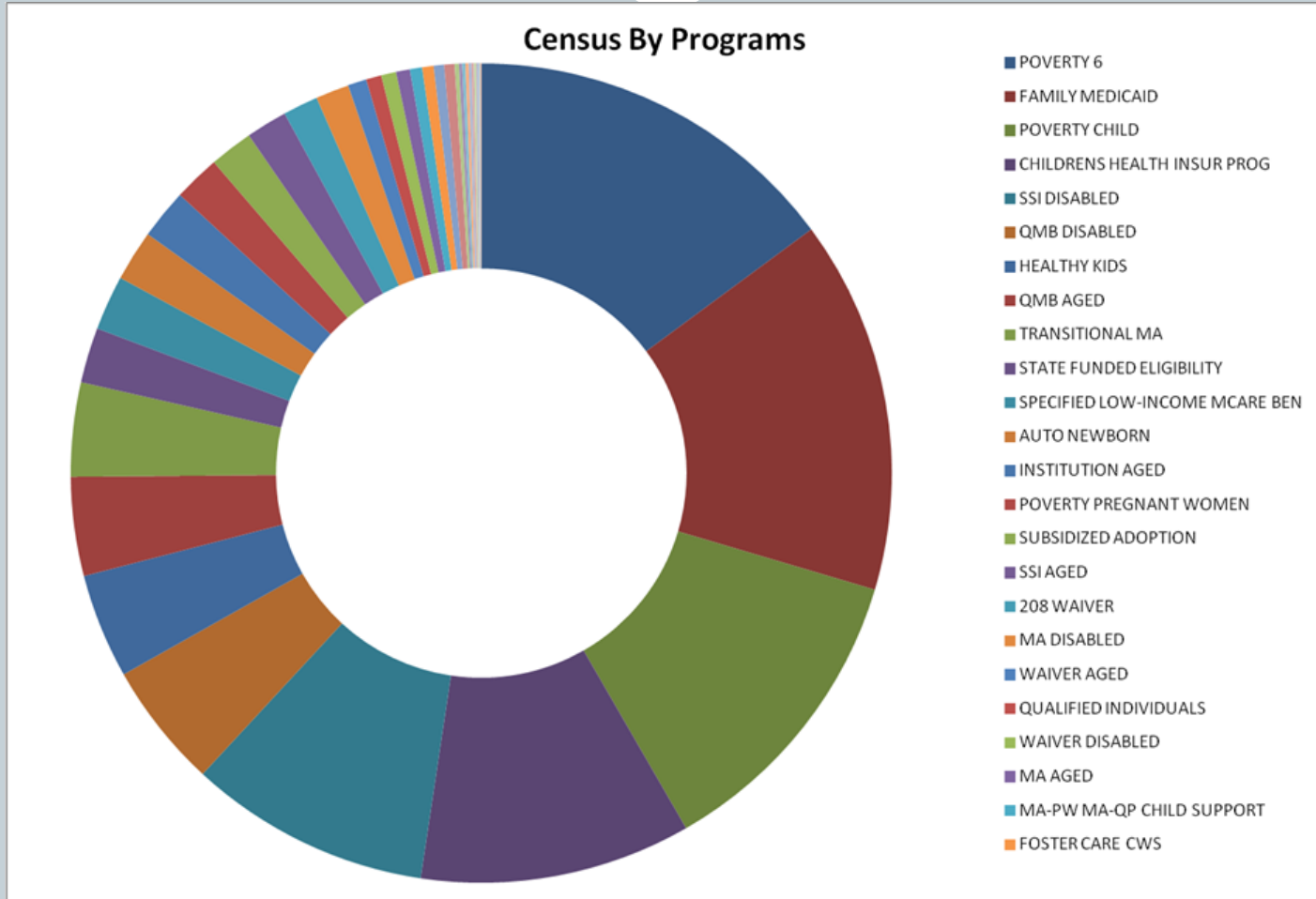
Ratio that determines the FMAP: 3 Year Per Capita Income



When our economy does better than the national economy, the FMAP goes down



Moving Parts to Medicaid, over 50 dependent codes



5 categories of Medicaid enrollees



1. Adults & children currently in Medicaid, HMK (formerly CHIP), HMK+ (formerly Children's Medicaid)
2. Uninsured adults eligible but not enrolled
3. Uninsured children eligible but not enrolled
4. Uninsured adults “newly” eligible for Medicaid if expanded
5. Adults with private coverage now eligible Medicaid

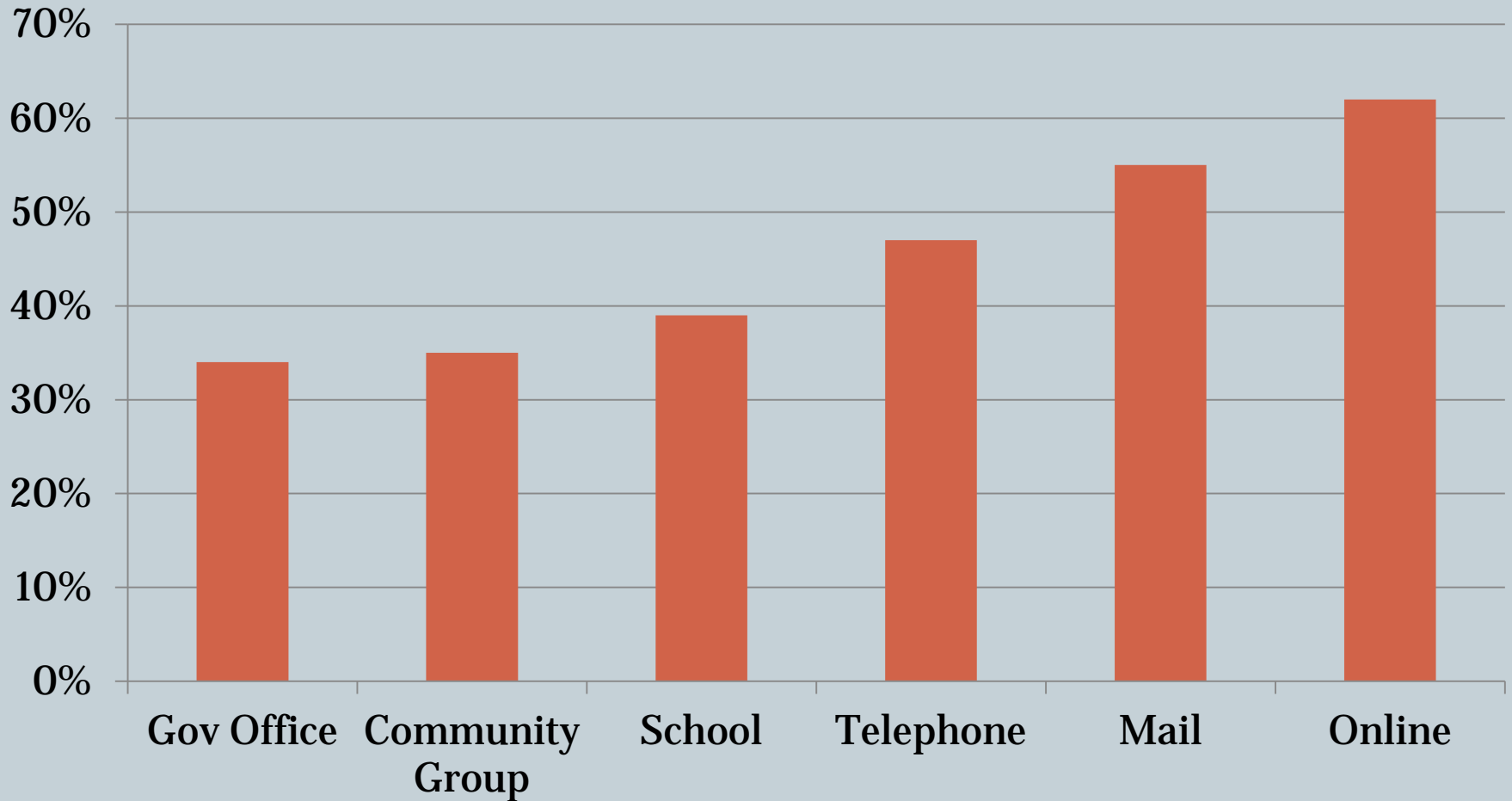
Medicaid Expansion to <138% FPL, How Many?



- Use of MAGI vs. AGI for eligibility
- How aggressively will states market expansion?
- Young adults eligible for Medicaid who stay on parent's policy

Enrollment Preferences

2011 Study “Parents’ Views of CHIP & Medicaid”



The Number of Potential New Medicaid Enrollees



Total uninsured in Montana	195,000
with incomes <138% FPL	69,000
Medicaid Population	
(?) % of 69,000	?
Woodwork population	2,000
Crowd Out population	14,000
BBER-UM Estimate	56,000
childless adults	42,000
RJWF/Urban Institute (August 2012)	60,000

How would our expansion stack up to other states?



- **Medicaid Expansion Index: MT = 99.6**
 - WY = 114.7, ID = 100.5, WA = 89.9, ND = 95.0
- **The 8 “No” States to expansion**
 - ME= 67.2, AL = 109.8, GA = 126.1, LA = 135.3, MS = 127.7, SC = 123.8, TX = 120.2, OK = 143.7

Other Populations to Consider....



- **Bubble population (>138% and < 150%)**
 - 5,000 uninsured
 - 14,000 insured
- **Young adults on parent's policy**
 - (17,000)
- **Donut Hole population (too rich for Medicaid, too poor for tax credits and cost sharing in Exchanges)**
 - (37,000)

Income-Health Gradient in Silver Plan



Family Income as % of Federal Poverty Level	Eligible for Exchange Credit?	Eligible for Cost Sharing Subsidy (if in Silver Plan)?	Fair or Poor Health, Uninsured Adults	
			30-49 Years Old	50-64 Years Old
< 138%	Medicaid	Medicaid	32% (26%)	28% (38%)
138% – 250%	Yes	Yes	8% (16%)	30% (29%)
250% - 400%	Yes	No	-- (11%)	-- (23%)
400%+	No	No	-- (9%)	-- (12%)

Health Care Resource Utilization Ratios

(visits per 100 people)



	Primary Care Offices	Hospital Outpatient Departments	Hospital Emergency Departments
Medicaid & CHIP compared to Uninsured	3.9	4.4	2.0
Medicaid & CHIP compared to Private Insurance	1.3	4.9	3.6
Uninsured compared to Private Insurance	0.3	1.1	1.8

Incremental increase in health care demand



	Primary care	Surgical specialty	Medical specialty	Hospital outpatient	Hospital ER	Total added visits
Private Insurance via FFE	129,234	38,658	32,028	(1,938)	(19,380)	178,602
<i>Medicaid Expansion</i>	121,216	10,176	9,472	42,048	25,984	208,896
Total added visits	250,450	48,834	41,500	40,110	6,604	387,498

Can health system handle added demand?



- **Primary Care Capacity Index: MT= 106.2**
 - Others: WY = 79.9, ID = 84.2, ND = 85.2, SD = 99.3, WA = 135.4

- **The 8 “No” states to expansion**
 - ME= 157.1, AL = 73.9, GA = 57.5, LA = 66.3, MS = 89.8, SC = 85.5, TX = 55.9, OK = 58.8

Primary care capacity in Montana



- Existing SUPPLY = 2,074,800 office visits/year
- Existing DEMAND = 1,744,889 office visits/year
- Added Medicaid and FFE demand: +250,450

- Primary care excess capacity (office visits per year)

79,461

Budgetary Impact



- **Assumptions:**
 - 2009 PMPY \$9,900 @ 6% per year
 - 2009 PMPY \$4,382 @ 6% per year
 - 57% participation rate grows proportionately until 83% in 2020
 - FMAP for newly eligible 100% 2014-2016, 95% (2017), 94% (2018), 93% (2019), and 90% in 2020 and thereafter
 - 66% FMAP “previously eligible” (\$1.94 in federal funds sent to Montana for every \$1.00 state spending)
 - Administration expenses @ 6% total benefits w/ split @ 42% state 58% federal
 - Medicaid population grows at 1% annually

“Incremental Cost” of Medicaid Expansion

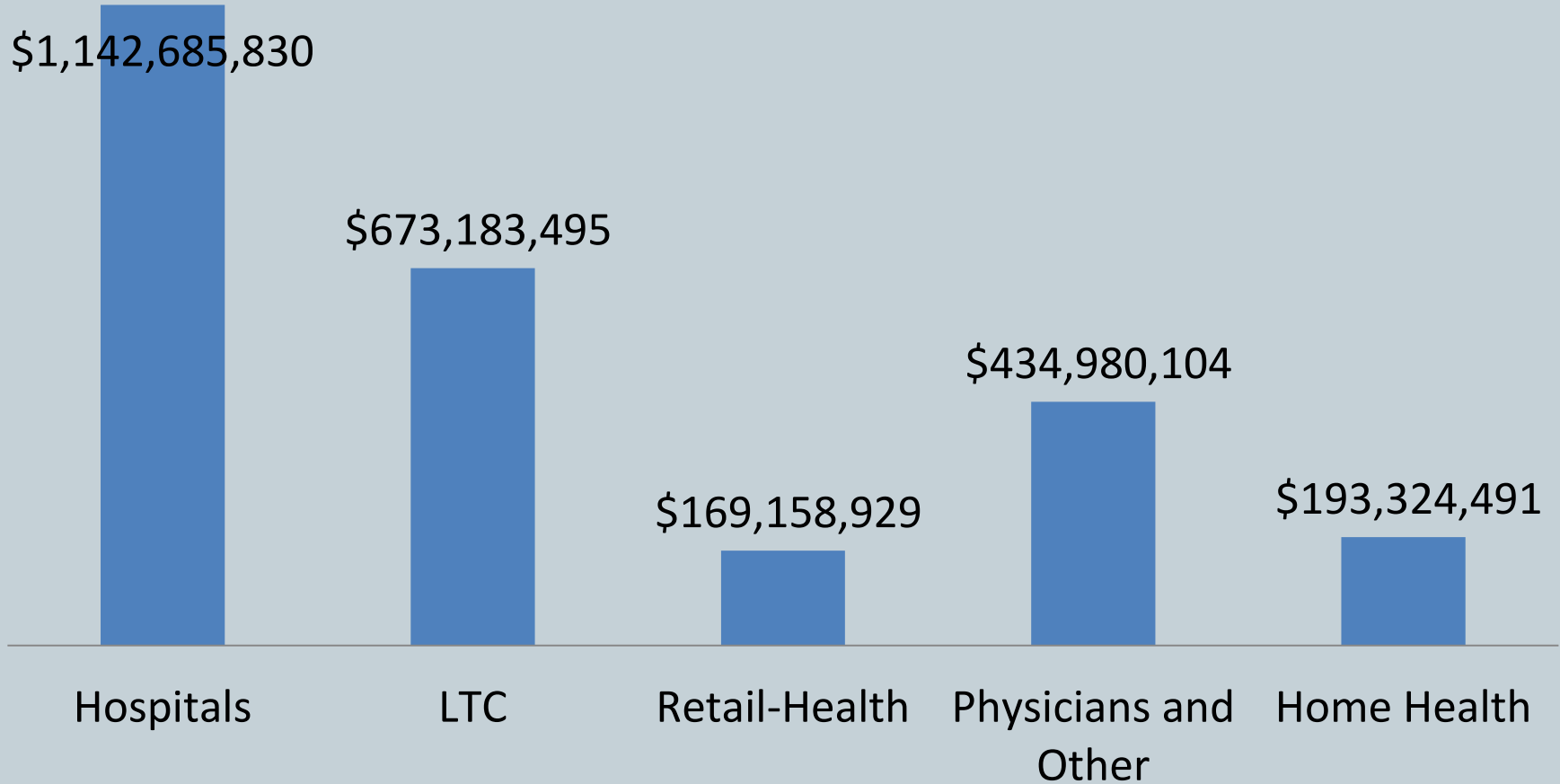
(millions of nominal \$)



	Lower cost per enrollee scenario		Total	Higher cost per enrollee scenario		Total
	State Cost	Federal Cost		State Cost	Federal Cost	
2014-2019	\$182.9	\$2,593.9	\$2,776.8	\$413.3	\$5,860.8	\$6,274.1
2020	\$83.6	\$591.8	\$675.4	\$188.9	\$1,337.1	\$1,526.0
Total	\$266.5	\$3,185.7	\$3,452.2	\$602.1	\$7,197.9	\$7,800.0

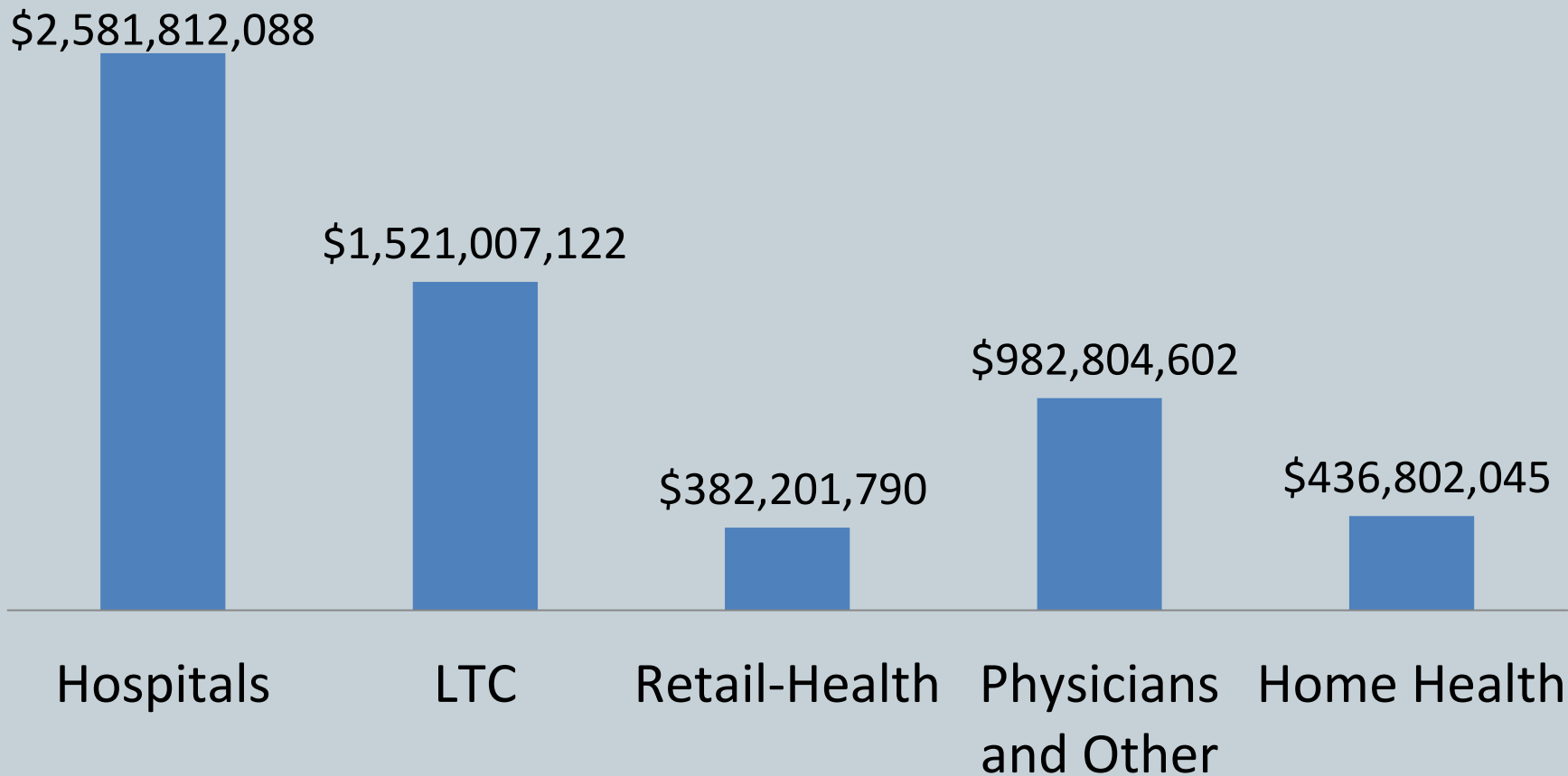
Total Medicaid 2014-2020: \$3.5 Billion

(low cost scenario)

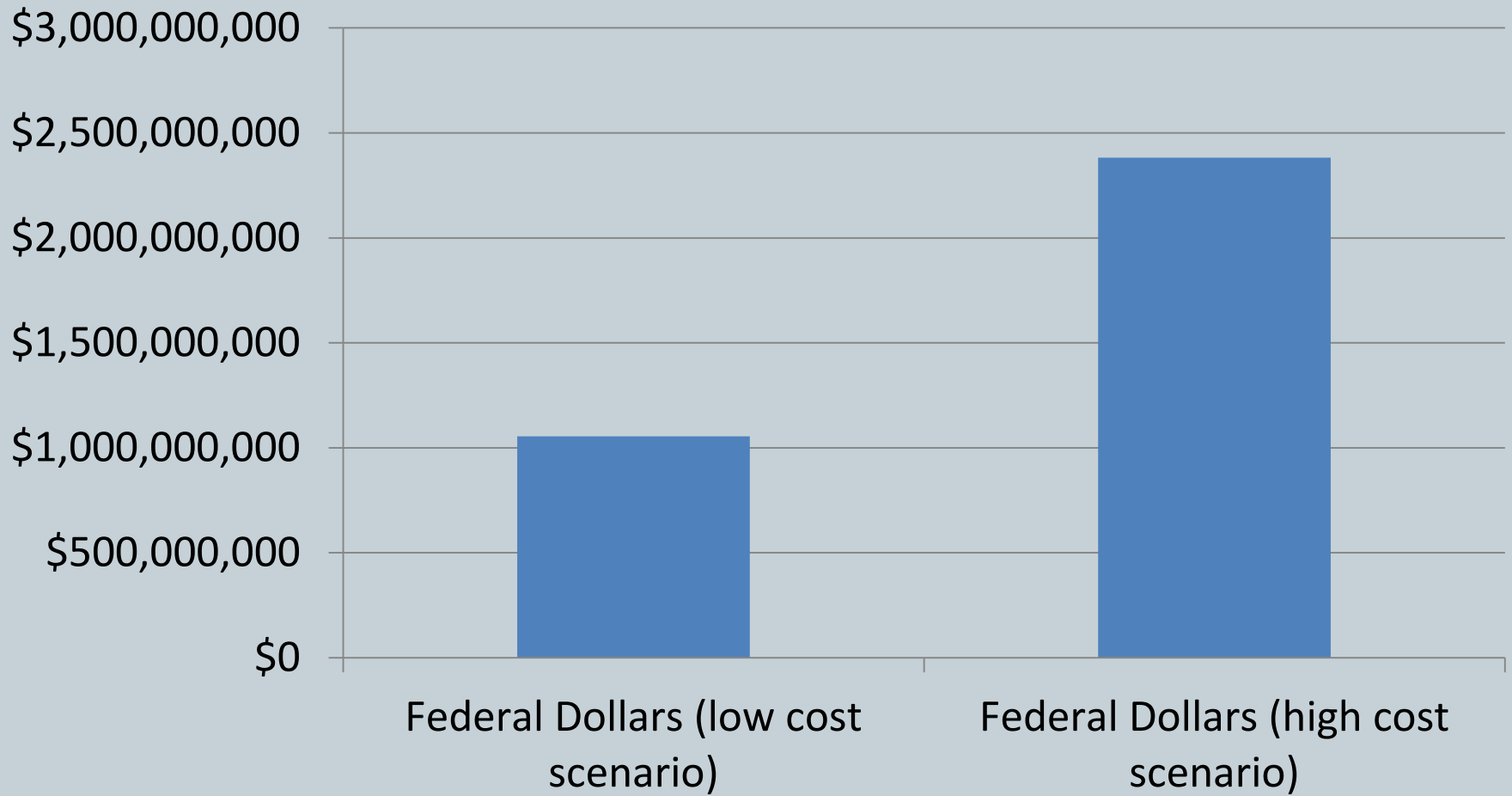


Total Medicaid 2014-2020: \$7.8 Billion

(high cost scenario)



Closer look at hospitals, 2014-2020...



2012 Study by the Urban Institute

time period 2013-2022



No ACA	No Medicaid Expansion	Medicaid Expansion	Incremental Change over No ACA	Incremental Change over No Medicaid Expansion
Federal Expenditures	\$10,555			
State Expenditures	\$4,694			
Total Expenditures	\$15,249			
Enrollment (000's)	101			
Uncompensated Care				
Net Effect				

But the buck doesn't stop at cost only...

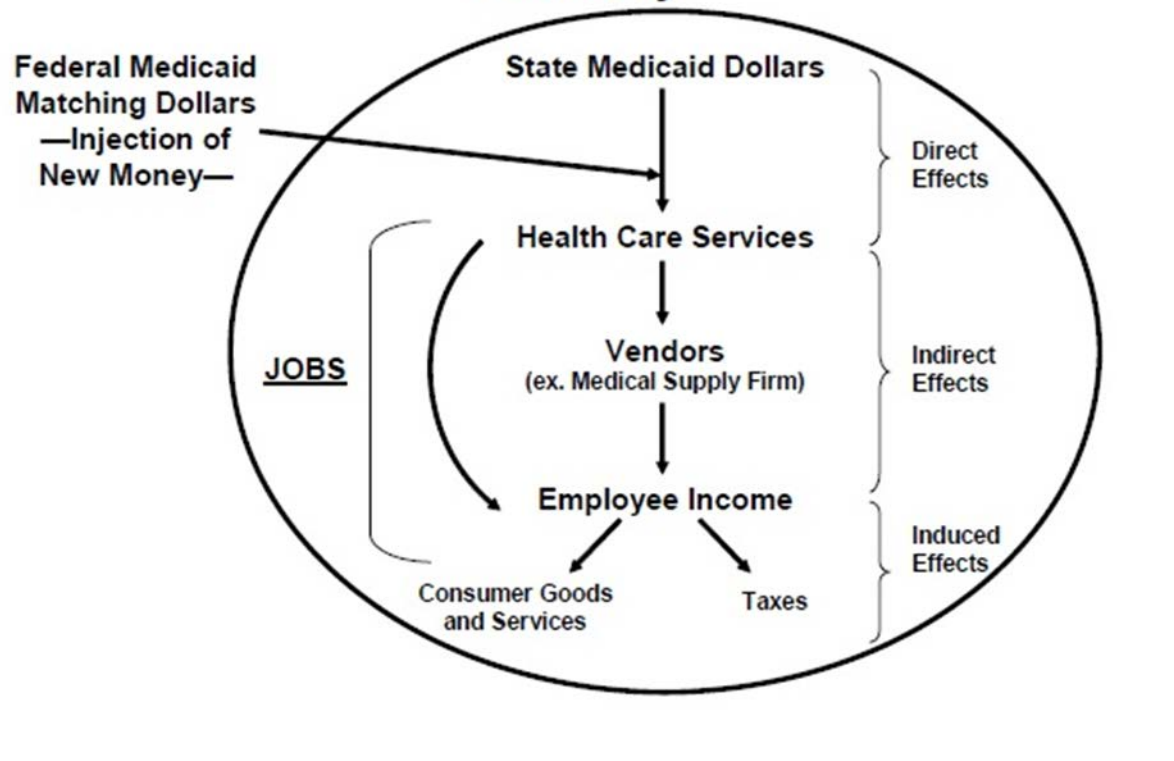


- Federal dollars stimulate economy, leading to increased jobs, labor income, business sales, and tax revenues for government
- As uninsured become insured, uncompensated care will be reduced leading to less cost-shifting to those with insurance

The impact of “new” dollars



Flow of Medicaid Dollars Through a State Economy



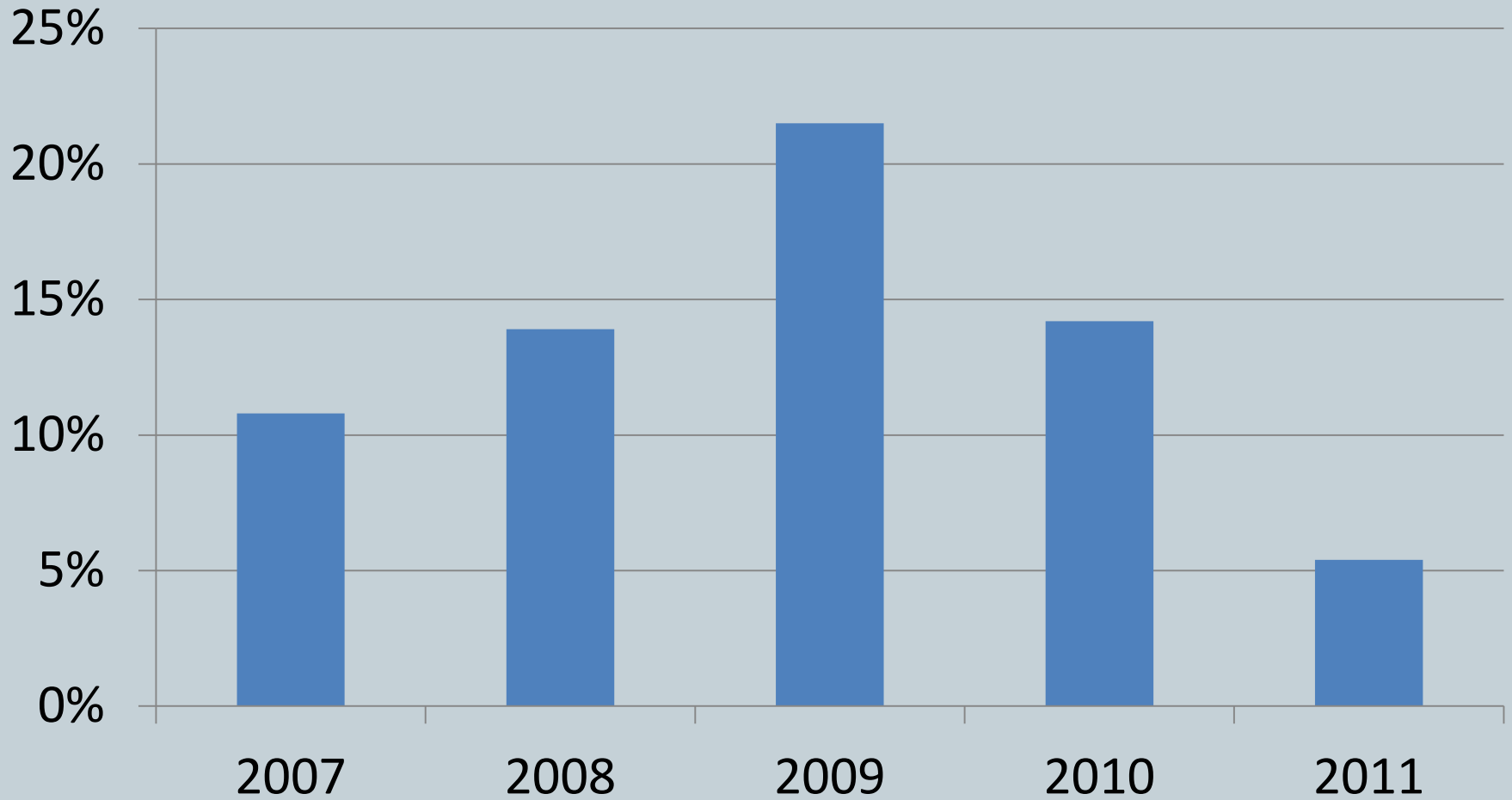
Uncompensated Care to uninsured? (total estimated for 2011 = \$268.3 million)



- Hospitals \$163.6 m
- Community Providers \$ 68.2 m
- Physicians \$ 36.5 m

- Uncompensated Care per Uninsured \$1,376
 - Childless adults may well be less
- Uncompensated care escalates per CPI-Medical Care

Percent Change in Uncompensated Care, MT Hospitals



So in addition to costs...



- Quantify amount of *reduced* uncompensated care delivered by health care providers as previously uninsured acquire Medicaid coverage....

and

- Assess the economic impact of *new* federal dollars injected into the Montana economy...

“net savings” to state of Montana-low cost scenario (millions of current dollars, except average wage)



Initial uninsured rate = 20%

	State Cost Share	Federal Cost Share	State & Local Tax Revenue	Reduced Uncompensated Care	Net Savings to State
2014-2020	\$266.5	\$3,185.7	\$218.8	\$257.2	\$209.5

Post Medicaid expansion uninsured rate = 13%

Annualized economic impact of new federal funding match

	Average Annual Job Creation	Average Annual Labor Income	Average Wage
2014-2020	7,100	\$291.8	\$41,000

“net savings” to state of Montana-high cost scenario (millions of current dollars, except average wage)



Initial uninsured rate = 20%

	State Cost Share	Federal Cost Share	State & Local Tax Revenue	Reduced Uncompensated Care	Net Savings to State
2014-2020	\$602.1	\$7,197.9	\$477.6	\$257.2	\$132.7

Post Medicaid expansion uninsured rate = 13%

Annualized economic impact of new federal funding match

	Average Annual Job Creation	Average Annual Labor Income	Average Wage
2014-2020	15,872	\$652.5	\$41,000

What Could Change Estimates?



- Fiscal cliff and changes to PPACA
- Take-up rates
- Per enrollee spending (health status of childless adults)
- FMAP match for pre expansion population (depends on Montana economy relative to economy of U.S.)
- Possible Churn (bubble population)
- Crowd out (employers tend to raise employee contributions in response to increased Medicaid eligibility)

Thank you for your time...



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