South Dakota Medicaid Expansion Concept Paper
March, 2015

Summary: Seek flexibility in federal regulations to better meet health care needs of South Dakotans currently eligible for Indian Health Services/Medicaid and expand Medicaid to all people under 138% of the Federal Poverty Level.

Current South Dakota Medicaid program (state plan excluding long term care and Part A, B, D premiums):

- Average monthly eligibles – 116,000
  - 68% children – 32% adults
- 35.5% are Native American
- FY14 expenditures: $442.3 million
- FY14 expenditures for Native Americans:
  - $204.5 million
    - $71.2 million funded through I.H.S.- 100% federal funds
    - $133.3 funded at state's FMAP rate

Medicaid expansion population key demographics:

- 48,564 newly eligible adults
  - 26,000 have incomes less than 100% FPL
  - 22,500 have incomes between 100% and 138% FPL
  - Geographic differences: 28% reside in the Western part of the state, 25% in the Southeast and 18% live in Indian counties
  - Estimate 27% are Native American

Table 1: Medicaid expansion costs- Traditional expansion approach

Total Benefits and Administration	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	Total thru SFY2022
Federal and State	$ 122,226,255	$ 286,740,878	$ 337,362,178	$ 357,709,986	$ 379,293,177	$ 402,194,280	$ 426,446,913	$ 2,311,973,668
Federal	$ 120,411,605	$ 277,738,990	$ 317,002,276	$ 332,606,195	$ 345,198,847	$ 360,100,849	$ 381,838,641	$ 2,134,897,402
State	$ 1,814,651	$ 9,001,888	$ 20,359,902	$ 25,103,791	$ 34,094,330	$ 42,093,432	$ 44,608,272	$177,076,266

Goals:

1. Provide better health care access to Native Americans eligible for services through IHS funded at enhanced federal match rate to offset state costs of expanding Medicaid to entire eligible population.

2. Increase health outcomes for Native Americans eligible for Medicaid in South Dakota.

3. Increase access to health care to entire expansion population in South Dakota.

Table 2: Future funding strategy: Current Medicaid Population- Increase IHS capacity by 2021 to increase access and improve health outcomes for Native Americans. General fund savings would be repurposed to fund Medicaid expansion.

For demonstration purposes, the following table outlines the estimated increases in IHS capacity necessary to fund the expansion population using FY14 actual expenditures for Native Americans.

Proposal: Assume increase in spending at 100% federal for the current Native American population and reduction in spending at the regular FMAP. Utilize general fund savings to fund expansion.									
	SFY2014	**SFY 2016**	**SFY 2017**	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**Total SFY16-SFY2022**
Total Expenditures for Current Native American Medicaid Population	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	
I.H.S. expenditures	$ 71,209,714								
Regular FMAP expenditures	$ 133,299,856								
Expenditures I.H.S. 100% Federal	**$ 71,209,714**	**$ 74,960,542**	**$ 89,213,490**	**$ 111,927,718**	**$ 121,417,296**	**$ 139,398,374**	**$ 155,394,578**	**$ 160,426,258**	**$ 852,738,256**
Increase in I.H.S. needed to reduce regular FMAP spending		**$ 3,750,828**	**$ 18,003,776**	**$ 40,718,004**	**$ 50,207,582**	**$ 68,188,660**	**$ 84,184,864**	**$ 89,216,544**	**$ 354,270,258**
Expenditure Regular FMAP	**$ 133,299,856**	**$ 129,549,028**	**$ 115,296,080**	**$ 92,581,852**	**$ 83,092,274**	**$ 65,111,196**	**$ 49,114,992**	**$ 44,083,312**	**$ 578,828,734**
Federal	$ 69,157,120	$ 66,873,208	$ 57,648,040	$ 46,290,926	$ 41,546,137	$ 32,555,598	$ 24,557,496	$ 22,041,656	$ 289,414,367
State	$ 64,142,736	$ 62,675,820	$ 57,648,040	$ 46,290,926	$ 41,546,137	$ 32,555,598	$ 24,557,496	$ 22,041,656	$ 289,414,367
Reduction in FMAP spending needed to general fund savings		$ (3,750,828)	$ (18,003,776)	$ (40,718,004)	$ (50,207,582)	$ (68,188,660)	$ (84,186,864)	$ (89,216,544)	$ (354,272,258)
General Fund Savings		$ 1,814,651	$ 9,001,888	$ 20,359,002	$ 25,103,791	$ 34,094,330	$ 42,093,432	$ 44,608,272	$ 177,076,266
General	$64,142,736	$62,675,820	$57,648,040	$46,290,926	$41,546,137	$32,555,598	$24,557,496	$22,041,656	$ 351,458,409
Federal	$140,366,834	$141,833,750	$146,861,530	$158,218,644	$162,963,433	$171,953,972	$179,952,074	$182,467,914	$ 1,284,618,151
Total	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 204,509,570	$ 1,636,076,560
Federal share of total expenditures	68.64%	69.35%	71.81%	77.36%	79.68%	84.08%	87.99%	89.22%	78.52%
*estimating FMAP @ 50/50 starting in SFY2017									

Examples of Strategies:

1. Use established tele-health services within South Dakota to develop services at IHS facilities to reduce transfers or utilization at non-IHS facilities. Examples include ICU and emergency room services. Outcomes include reduced cost on non-IHS services subject to state match including emergency transportation, ER, and inpatient costs and increase IHS revenues through Medicaid (100% federal).

2. Partner with IHS to develop joint venture clinics or expand existing IHS clinic services to increase access to primary and other care. Examples include embedding non-IHS physicians and services lines in IHS facilities for population specific services such as obstetrics, podiatry, and dialysis. Outcomes include reductions in preterm births, Caesarean-sections, neonatal intensive care unit admissions, inpatient admissions and travel for services subject to state match and increase IHS revenues through Medicaid (100% federal).

3. Partner with IHS to develop community health representative model to help eligible individuals access primary health care through IHS. Outcomes include better health outcomes through condition management and reduction in overall health care expenditures (100% federal).

Assistance needed from HHS:

1. Credential non-IHS providers to provide services in IHS facilities in South Dakota, i.e. through a preferred network approach
2. Flexible approach to defining IHS match rate eligible services
3. Support to develop new services for IHS eligible population
4. Assistance with specific aspects of Medicaid expansion in SD:
    a. Incentives for individuals to manage health outcomes
    b. Premium/co-payment assessments
    c. Enrollment into Health Homes