Medicaid Expansion Costs Update & Expansion Approaches Used in Other States

South Dakota Health Care Solutions Coalition
December 3, 2015

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Medicaid Expansion Cost Projections

- November 18th meeting:
  - Provided updated demographic and cost estimates based on latest 2015 Market Decisions Survey and FY15 cost data.
  - Administrative costs were being evaluated to consider impacts of revised projections and to include resources to support quality control, reporting, etc.
- December 3rd meeting:
  - Updated administrative costs from 39 FTE to 55 FTE and for additional administrative costs – dental benefit administration, etc.
  - No changes to projected benefit cost

Medicaid Expansion – Original Cost Projections

- 2011 Market Decisions for number of eligibles (48,564)
  - 40% take up rate in Year 1 (19,426), 90% year 2, 100% year 3
- 2013 actuals for cost of LIF adult plus ($6,103)
- No additional capacity through IHS – i.e., no 100% FFP for Native Americans in the expansion population.

FY16 Per Eligible Benefit Cost **$ 6,103** (Annual growth rate 5%)

	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	Total thru SFY2022
Eligibles (Annual growth rate 1%)	19,426	44,145	49,540	50,036	50,536	51,041	51,552	
Eligible Benefit Costs (in millions)								
Federal and State	$119.79	$284.19	$334.68	$354.90	$376.33	$399.09	$423.19	$2,292.17
Federal Spending	$119.20	$276.52	$315.72	$331.26	$343.78	$358.61	$380.28	$2,125.37
State Spending	$0.59	$7.67	$18.96	$23.64	$32.55	$40.48	$42.91	$166.80

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Medicaid Expansion – Original Cost Projections

Administrative Costs

- 39 FTE – Benefits Specialist and Claims Processing

(50/50) Admin Costs (in millions)	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	Total thru SFY2022
Federal and State	$2.44	$2.56	$2.68	$2.82	$2.96	$3.10	$3.26	$19.82
Federal	$1.22	$1.28	$1.34	$1.41	$1.48	$1.55	$1.63	$9.91
State	$1.22	$1.28	$1.34	$1.41	$1.48	$1.55	$1.63	$9.91

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	SFY 2016	**SFY 2017**	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**Total thru SFY2022**
Total Benefits and Administration (in millions)								
Federal and State	$122.2	$286.8	$337.4	$357.7	$379.3	$402.2	$426.5	$2,312.0
Federal	$120.4	$277.8	$317.1	$332.7	$345.3	$360.2	$381.9	$2,135.3
State	$1.8	$9.0	$20.3	$25.1	**$34.0**	$42.0	$44.5	$176.7

Medicaid Expansion – Revised Cost Projections

- 2015 Market Decisions for number of eligibles (49,721) plus 10% (54,693)
  - 90% take up rate in Year 1 (49,224), 100% year 2
- 2015 actuals for cost of LIF adult plus 20% ($7,744)
- No additional capacity through IHS – (no 100% FFP for Native Americans in expansion population)

Benefit Costs:

FY17 Per Eligible Benefit Cost **$ 7,744** (Annual growth rate 5%)

Eligibles (Annual growth rate 1%)	49,224	55,240	55,792	56,350	56,914	57,483	58,058	
	SFY 2017	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**SFY 2023**	**Total thru SFY2023**
Eligible Benefit Costs (in millions)								
Federal and State	$382.61	$450.66	$477.95	$506.86	$537.51	$570.03	$604.50	$3,530.12
Federal Spending	$372.43	$425.27	$446.25	$463.15	$483.12	$512.36	$543.34	$3,245.92
State Spending	$10.18	$25.39	$31.70	$43.71	$54.39	$57.67	$61.16	$284.20

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Medicaid Expansion – Revised Cost Projections

Administrative Costs (Updated)

- 55 FTE – Benefits Specialists, Claims Processing, Quality Control, administrative support for reporting, care management, etc.

	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	Total thru SFY2023
(50/50) Admin Costs (in millions)								
Federal and State	$4.22	$4.44	$4.66	$4.90	$5.14	$5.40	$5.66	$34.42
Federal	$2.11	$2.22	$2.33	$2.45	$2.57	$2.70	$2.83	$17.21
State	$2.11	$2.22	$2.33	$2.45	$2.57	$2.70	$2.83	$17.21

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- No additional capacity through IHS – i.e., no 100% FFP for Native Americans

FY17 Per Eligible Benefit Cost	$ 7,744	(Growth of 5% per year)						
Eligibles	49,224	55,240	55,792	56,350	56,914	57,483	58,058	
	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	Total thru SFY2023
Total Benefits and Administration (in millions)								
Federal and State	$386.8	$455.1	$482.6	$511.8	$542.7	$575.4	$610.2	$3,564.5
Federal	$374.5	$427.5	$448.6	$465.6	$485.7	$515.1	$546.2	$3,263.1
State	$12.3	$27.6	$34.0	$46.2	$57.0	$60.4	$64.0	$301.4

Medicaid Expansion – Revised Cost Projections with 100% FMAP for Native Americans in Expansion Population

Assume all expenditures for Native American expansion population claimed at 100% FFP

- 2015 Market Decisions for number of eligibles (49,721) plus 10% (54,693)
  - 90% take up rate in Year 1 (49,224) and 100% in Year 2
- 2015 actuals for cost of LIF adult plus 20% ($7,744)

FY17 Per Eligible Benefit Cost **$ 7,744** (Annual growth rate 5%)

Eligibles (Annual growth rate 1%)	49,224	55,240	55,792	56,350	56,914	57,483	58,058	
	SFY 2017	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**SFY 2023**	**Total thru SFY2023**
Eligible Benefit Costs (in millions)								
Federal and State	$382.61	$450.66	$477.95	$506.87	$537.50	$570.03	$604.49	$3,530.11
Federal Spending	$375.00	$431.94	$454.62	$474.75	$497.58	$527.70	$559.60	$3,321.19
State Spending	$7.61	$18.72	$23.33	$32.12	$39.92	$42.33	$44.89	$208.92

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Medicaid Expansion – Revised Cost Projections with 100% FMAP for Native Americans in Expansion Population

Administrative Costs (Updated)

- 55 FTE – Benefits Specialists, Claims Processing, Quality Control, administrative support for reporting, care management, etc.

	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	Total thru SFY2023
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State	$2.11	$2.22	$2.33	$2.45	$2.57	$2.70	$2.83	$17.21

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Assume all expenditures for Native American expansion population claimed at 100% FFP

- 2015 Market Decisions for number of eligibles (49,721) plus 10% (54,693)
  - 90% take up rate in Year 1 (49,224), 100% Year 2
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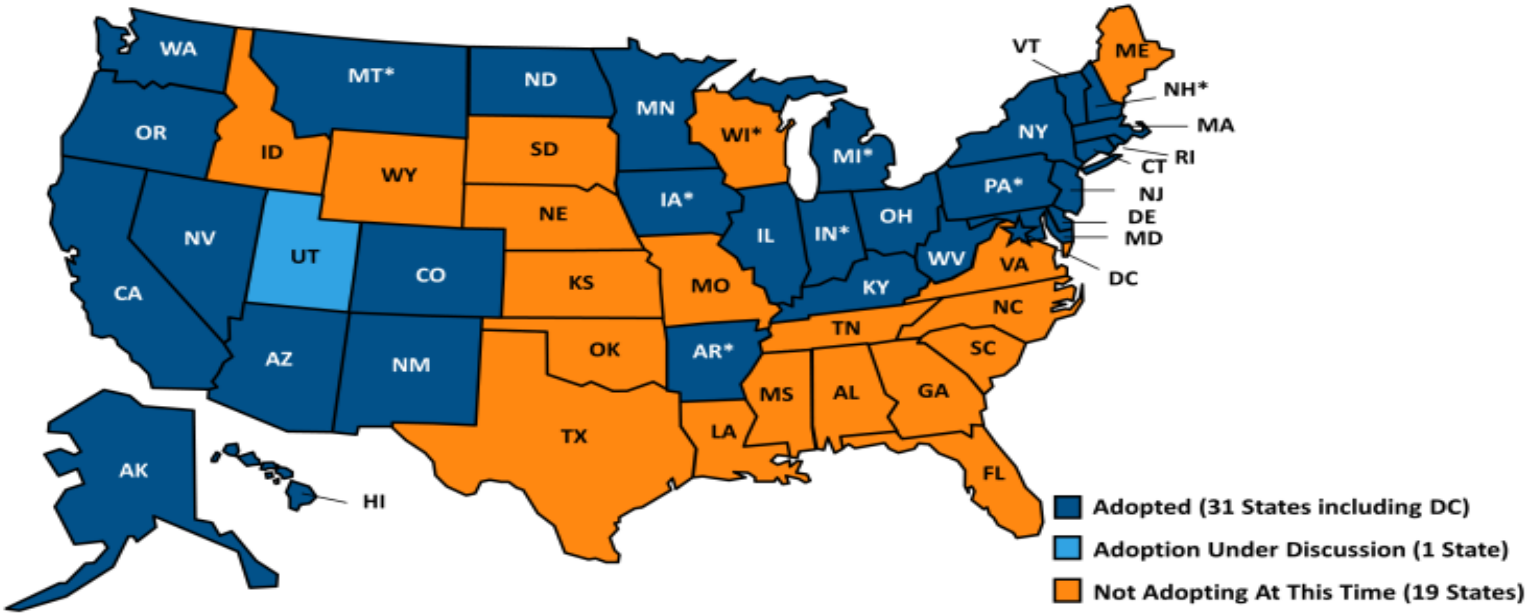
FY17 Per Eligible Benefit Cost	**$ 7,744**	(Growth of 5% per year)						
Eligibles	**49,224**	55,240	55,792	56,350	56,914	57,483	58,058	
	SFY 2017	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**SFY 2023**	**Total thru SFY2023**
Total Benefits and Administration (in millions)								
Federal and State	$386.8	$455.1	$482.6	$511.8	$542.6	$575.4	$610.2	$3,564.5
Federal	$377.1	$434.2	$457.0	$477.2	$500.2	$530.4	$562.4	$3,338.4
State	$9.7	$20.9	$25.7	$34.6	$42.5	$45.0	$47.7	$226.1

Expansion States

Current Status of State Medicaid Expansion Decisions



NOTES: Current status for each state is based on KCMU tracking and analysis of state executive activity. *AR, IA, IN, MI, MT, NH and PA have approved Section 1115 waivers. Coverage under the PA waiver went into effect 1/1/15, but it has transitioned coverage to a state plan amendment. Coverage under the MT waiver will be effective January 1, 2016. WI covers adults up to 100% FPL in Medicaid, but did not adopt the ACA expansion.

SOURCE: "Status of State Action on the Medicaid Expansion Decision," KFF State Health Facts, updated November 2, 2015.
http://kff.org/health-reform/state-indicator/state-activity-around-expanding-medicaid-under-the-affordable-care-act/

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Expansion States

States that have implemented Medicaid expansion to cover adults up to 138% FPL have utilized various approaches that align with a state's particular goals and political culture.

Promoting Personal Responsibility

- Healthy behavior incentives
- Premiums
- Cost Sharing
- Health savings "like" accounts

Expansion States

Premium Assistance

- Purchasing coverage through the federal marketplace for adults between 100-138% FPL
- Maintain employer sponsored health insurance

Work Referral and Training

Connections to work reform through work referral training programs

Promoting Personal Responsibility

Healthy Behavior Incentives

These programs typically attempt to target a wide range of behaviors and there is considerable variation in how states have implemented.

- Incentives programs tied to reduced premiums or cost sharing
- Tying healthy behaviors to Health Savings Account “like” programs
- Waiver of co-payment or premiums and enhanced benefits tied to annual wellness visits or participation in chronic disease programs

Promoting Personal Responsibility

Sixteen states administer some type of healthy incentive program.

- Iowa implemented premium waivers and enhanced dental benefits for individuals that participate in health risk assessments and annual wellness visits.
- Indiana through a demonstration waiver ties healthy behavior including health screenings and certain prevention activities to HSA like accounts where funds can roll over to the following plan year for recipient use.
- Several states utilize financial incentives such as waiver of co-payments for participation in chronic disease management programs.

Promoting Personal Responsibility

- States rely on their Managed Care Organization (MCO) to administer.
- These programs can require significant administrative resources to implement and the results of these initiatives have been mixed.

Promoting Personal Responsibility

Premium and Cost Sharing

Tying healthy incentives to reduced cost sharing or premiums is more widely used and administratively simpler to implement.

- New York and West Virginia utilize varying co-payment levels to promote certain behaviors.
- West Virginia removed co-payments from primary care services and increased co-payments for hospital services and non-emergent use of the ER.

Promoting Personal Responsibility

Health Savings "like" Accounts

Three states have implemented these through their managed care programs and required an 1115 waiver. Members make monthly contributions that can be used to make copayments or for other health related expenses. Contributions must comply with federal cost sharing limits – no more than 5% of family income.

- **Arkansas** – contributions ranging from $5 to $25 per month are used for copayments and coinsurance payments. Arkansas is finding it challenging to meet cost effectiveness and is evaluating continuing this effort.
    - Initially required Medicaid enrollees from 50-138% FPL to participate and make monthly contributions. Arkansas changed their policy in June 2015 and excluded participation and cost sharing requirements for households below 100% FPL.

Premium Assistance through the Federal Marketplace

States have the regulatory authority through a Medicaid waiver to implement a premium assistance model to buy coverage from QHP's on the Marketplace for newly eligible individuals under their state plan.

Federal rule requires states to determine overall cost-effectiveness of purchasing such coverage, including these cost considerations:

- Enrollee cost sharing above allowable Medicaid amounts of no more than 5% of family income- anything over that must be covered by Medicaid agency
- All essential health benefits must be provided, any wrap-around benefits not covered through the QHP such as non-emergency medical transportation, vision coverage, etc. must be provided by Medicaid agency
- State administrative costs will be impacted to implement benefit coordination for wrap-around services and to coordinate premium payments.
- Arkansas and Iowa both implemented through an 1115 waiver.
    - Iowa dropped this approach and is moving to full managed care.
    - Arkansas evaluating ability to achieve cost effectiveness.

Premium Assistance through the Federal Marketplace

South Dakota case scenario:

- 40 year old male, non-smoker living in Sioux Falls
- annual income of $15,000 (129% of FPL)
- Benchmark Silver Plan and average medical usage

QHP Expense	Monthly Cost	Annual Cost
Premium for (second lowest cost) Silver Plan	$309	$3,708
Annual deductible (assumes State pays in full)		$2,500
Co-Payments Above Max		$600
Total		$6,808

Premium Assistance Buy-in of 2016 QHP Coverage	Traditional Medicaid Coverage SFY16[1]
$6,808	$6,454-$,7744

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Premium assistance to maintain employer sponsored coverage

States have multiple regulatory authorities to purchase employer sponsored (ESI) or other health insurance for Medicaid eligible enrollees. These programs support private market coverage, reduce churn for low income workers, and promote continuity of care.

While programs vary among states, most represent very small numbers – less than 1% of the states overall Medicaid population. 29 states, including South Dakota have some form of premium assistance.

- SD has a small program in place targeted for high risk pregnant women

Premium assistance to maintain employer sponsored coverage

Members enrolled in premium assistance are entitled to all covered Medicaid benefits and all cost sharing limits apply.

Premium assistance programs require administrative resources including enrollee education and outreach, coordination with employers and benefits administration, and methods to track and cover any cost sharing amounts above federal limits.

Success of premium assistance to maintain ESI dependent on several variables:

- number of individuals employed with access to ESI
- deductible and cost sharing amounts for ESI plans
- potential costs of premium assistance compared to traditional Medicaid coverage

Work Referral and Training

CMS has been very clear that states cannot tie work requirements to Medicaid eligibility. However, work referral and training programs are widely used.

Several states have implemented work referral and training programs or are leveraging current work programs used in other benefit programs such as Supplemental Nutrition Assistance Programs (SNAP) or Temporary Assistance to Needy Families (TANF).

Utah proposal: While two-thirds of adults in the Utah expansion group are employed, proposal includes a provision to automatically enroll able-bodied adults in a concurrent work program at the time of application for Medicaid.

Program includes an online assessment and access to training opportunities and job postings. Participation not a condition of eligibility.