LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 107** SLS 14RS 298
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 29, 2014 5:08 PM
Author: NEVERS
Dept./Agy.: DHH/Medicaid
Subject: Medicaid expansion
Analyst: Shawn Hotstream

MEDICAID OR INCREASE GF EX See Note

Provides for the Louisiana Health Care Independence Act. (gov sig)

Proposed law requires the Department of Health and Hospitals (DHH) to create the Louisiana Health Care Independence Program (LHCIP) as a means to expand Medicaid eligibility to conform to the standards provided in the Affordable Care Act. Proposed law requires that the program may provide premium assistance for eligible individuals for the purpose of facilitating their enrollment in a qualified health plan through the federal health insurance marketplace. Proposed law provides that DHH develop a strategy to inform Medicaid recipients whose needs would be better served through participation in a federal health insurance marketplace. Proposed law provides that the department is authorized to pay supplemental cost sharing subsidies to qualified health plans, and the department may implement cost sharing and co-pays as a condition for eligible individuals (whose income exceeds 50% of the FPL) participating in the program. Proposed law terminates the program within 120 days if the FMAP under the ACA changes below those authorized under federal law. Proposed law provides for reporting requirement of DHH relative to the LHCIP.

Proposed law authorizes the legislature to decide whether to continue the program when federal participation is no longer available to fund 90% of the total cost of operating the program

EXPENDITURES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**5 -YEAR TOTAL**
State Gen. Fd.	$0	$0	$0	$0	$0	**$0**
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	$0	$0	$0	$0	$0	**$0**
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

Proposed law requires DHH to create and administer the Louisiana Health Care Independence Program as a means to expand Medicaid, while conforming to the minimum standards provided in the Patient Protection and Affordable Care Act. The department may utilize a premium assistance model similar to any expansion that allows newly eligible medical assistance beneficiaries to purchase and enroll in a qualified health plan through the federal insurance marketplace. Expanding Medicaid eligibility in Louisiana through a premium assistance model similar to the Arkansas expansion model is projected to significantly increase State General Fund and Medicaid programmatic expenditures over 5 years. The fiscal note also provides an impact analysis over 10 years (as both DHH and national actuarial models provide analysis over this time frame). The State General Fund and programmatic impact is projected as a range, and is based on multiple cost/savings factors. The range of State General Fund expenditure impact over 5 years is a cumulative increase between $157 M and $190 M. The range is modeled on differences in the take up rate of new eligible enrollees and an average cost per enrollee, or a Moderate Take up rate model and a High Take up rate model. The impact of both models are based on a commercial rate calculated on a PMPM for a benchmark health plan on the Health Insurance Exchange in Louisiana. The PMPM includes wrap-around Medicaid costs and coinsurance costs (including co-pays and deductibles) which remains a Medicaid responsibility. Note: This measure provides that the state may implement cost sharing and co-pays for those who exceed 50% of the federal poverty level as a condition of participation in the program. To that extent, any programmatic costs would be offset by the collection amount.

The High Take up rate model contemplates a more aggressive take up rate (95%) and a $541.80 per member per month cost per enrollee for FY 15. This model reflects an increase of total programmatic expenditures of $515 M ($40 M SGF savings) in FY 15, an increase of $12.9 B in total programmatic expenditures ($190 M SGF cost) over 5 years, and $37.5 B ($2 B SGF cost) over 10 years. The Moderate Take up rate model contemplates a less aggressive take up rate (75%) and a $541.80 per member per month cost per enrollee. This model reflects an increase of total programmatic expenditures of $263 M ($40 M SGF savings) in FY 15, an increase of $9.5 B in total programmatic expenditures ($157 M SGF cost) over 5 years, and $26 B ($1.5 B SGF cost) over 10 years. Both models reflect a net SGF cost to the state beginning in year 3 (FY 17).

The fiscal note considered multiple factors that resulted in a net projected cost or savings to Medicaid. These factors include an estimate of the different populations that will be eligible under Medicaid expansion, participation rate (take up rate) of these eligibles over a 10 year period, cost per eligible individual, administrative costs, the enhanced Federal Medical Assistance Percentage (FMAP) applied to each year, and the impact of Disproportionate Share Hospital (DSH) funding. Listed below are specific assumptions used in determining the net impact to Medicaid.

1) 298,000 uninsured between the ages of 19 to 64 to 138% of the federal poverty level (childless adults and parents of Medicaid eligible children) (Louisiana Health Insurance Survey, 2013, LSU Public Policy Research Lab). Note: Increase from 290,000 reflected in 2011 Insurance Survey.

REVENUE EXPLANATION

The fiscal note assumes all new eligibles will be enrolled in full risk plans on the Louisiana Health Insurance Exchange. Based on this assumption, significant additional premium tax revenues are anticipated to be generated and deposited into the Medical Assistance Trust Fund (MATF). R.S. 22:842 imposes a 2.25% premium tax on health insurance premiums (gross annual premiums) related to life, health, and accident. However, the net impact of these revenues are indeterminable as every insurance company is entitled to a corporate income tax offset (R.S. 47:227) in the amount of any premium taxes paid. Based on the assumptions in this expansion model, total premium tax earnings are estimated to be $233 M over 5 years.

Senate Dual Referral Rules House

[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

[x] 6.8(F)(1) >= $100,000 SGF Fiscal Cost {H & S}

[ ] 6.8(F)(2) >= $500,000 State Rev. Reduc. {H & S}

[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

2) All new eligibles participate in private insurance option in Health Insurance Exchange.
3) Fiscal Note assumes a fiscal impact range, based on variances in take up rates.
4) New eligible enrollee cost based on a Per Member Per Month average rate of $541.80 (FY 15 rate)
   Base Medicaid rate of $368.14 adjusted 45% to reach commercial rate. Rate includes cost of co-insurance (Medicaid responsibility for co-payments and in network deductibles). Adjusted PMPM same as prior year estimate for FY 15. Rates trended 5% annually through FY 24 (Department of Insurance Actuary estimate).
5) FMAP rate under PPACA: 100% FMAP through FY 16 (two years), 95%-FY 17, 94%-FY 18, 93%-FY 19, and 90% in FY 20 and future fiscal years
6) DSH reduction based on implementation of Health Insurance Exchanges and Medicaid Expansion, estimated 60,000 childless adults projected to remain uninsured beyond 400% of the federal poverty level (Louisiana Health Insurance Survey, 2013).
7) Assume benefits received for new eligibles are based on the Louisiana Benchmark package (Platinum Premium)
8) Crowd out assumptions based on Department of Insurance actuarial analysis
9) Fiscal note does not assume any provider rate increases for physicians or hospitals, only adjustments to the PMPM costs annually

EXPENDITURE FACTORS

New Eligible Adults (298,000 previously uninsured): Expanding Medicaid eligibility through a premium assistance program to individuals (childless adults and parents) up to 138% of the federal poverty level is anticipated to increase SGF Medicaid costs beginning FY 17 as a result of offering coverage for approximately 298,000 currently uninsured individuals (uninsured adults between the age of 19-64 and certain parents). Based on the PMPM of $541.80 in the Moderate Take up rate model, total spending is projected to increase by $6 B ($297.7 M SGF cost) over 5 years and by $16 B (1.3 B SGF cost) over 10 years. This cost is based on a 75% take up rate over 10 years. Based on the PMPM of $541.80 in the High Take-up rate model, total spending is projected to increase by $6.9 B ($326.9 M SGF cost) over 5 years and by $19.3 B ($1.5 B SGF cost) over a 10 year period. This is based on a 95% take up rate over 10 years (CMS-Office of the Actuary-2012).

New Eligible (Crowd Out): Approximately 244,000 with either insurance privately purchased on the individual market or employer sponsored insurance (ESI) are projected eligible for Medicaid to 138% of the FPL (LSU Public Policy Research Lab). Crowd out, or those individuals that would drop private insurance or ESI and enroll in Medicaid based on eligibility, is estimated to be approximately 43% of those eligible phased in over 10 years in the Moderate Take up rate model, and approximately 70% of those eligible in the High Take up rate model. These individuals are considered new eligibles for the purpose of the enhanced federal match, and are anticipated to increase SGF Medicaid payment costs beginning in FY 17. The Moderate Take up rate model reflects total Medicaid spending increasing by $2.3 B ($108 M SGF cost) over 5 years, and a total of $6.5 B spending ($539.4 M SGF cost) over 10 years. The High Take up rate model reflects 5 year Medicaid spending of $3.4 B ($171 M SGF cost) over 5 years and $11.2 B ($954 SGF cost) over 10 years.

Currently Eligible, not enrolled (Woodwork): Approximately 36,000 are projected to be currently eligible for Medicaid, but not enrolled (DHH estimate). These individuals are likely parents of Medicaid eligible children. Because these individuals are considered current eligibles, those who enroll would be subject to Medicaid standard FMAP (62.06%), and SGF Medicaid match cost will increase beginning in FY 15. Medicaid spending reflected in both projection models reflect an increase and by $196 M ($74 M SGF cost) over 5 years, and $605 M ($229 M SGF cost) over 10 years. Costs are based on a 40% take up rate over 10 years.

Medicaid Administration: Medicaid Administration costs are based on hiring additional Medicaid Analyst personnel for processing eligibility applications, renewal applications, case management, processing change requests (change in income or health circumstance), payment to the fiscal intermediary and enrollment broker. Analyst are anticipated to process 1,680 new or renewal applications a year. The Moderate Take up rate model reflects $48.4 M total costs ($24.2 M SGF cost) over 5 years and $127 M total costs ($63.6 M SGF cost) over 10 years. The High Take up rate model projects $57.9 M total cost ($28.9 M SGF cost) over 5 years and $154 M ($77 M SGF cost) over 10 years.

Transitioned Eligibles (currently enrolled, new eligibles): Certain Medicaid enrollees that currently receive limited benefits/specific services are considered new eligibles under a Medicaid expansion, and a re eligible to receive enhanced federal match under PPACA. The fiscal note assumes these populations (100%) will receive full benefits under an expansion. These populations/categories include individuals that are covered under a Medicaid eligibility category limited to a specific service (family planning waiver) or limited to a specific disease (breast and cervical cancer), individuals served under the Medically Needy category (only qualify after these individuals spend down resources in order to qualify), Provisional Medicaid enrollees, and children aging out of foster care. Both models anticipate decreasing SGF match by $190 M over 5 years, and $257.9 M over 10 years. In calculating the effect of covering these populations, costs were trended forward 10 years without expansion (under standard match). These expenditures are compared to the cost of these populations receiving full benefits under Medicaid as New Eligibles (with enhanced match). This comparison of SGF spending resulted in the savings in the SGF discussed above. Total programmatic spending is anticipated to increase as these populations are anticipated to receive full Medicaid benefits. Spending under expansion was built on PMPM's associated with each population category (individually priced out) provided by Mercer (DHH actuary).

Disproportionate Share Hospital (DSH) payments for uninsured (safety net population): Based on the Louisiana Health Insurance Survey (LHIS) of 2013, approximately 562,285 (90%) of Louisiana's 622,033 total uninsured adults are estimated to fall below 400% of the federal poverty level, leaving an additional 59,748 adults still estimated uninsured (10%). The majority of uninsured under 400% of the FPL that are anticipated to be eligible in Medicaid or through Health Insurance Exchanges have likely historically been covered with DSH reimbursement for uncompensated care costs. Total DSH funding is not eliminated in this analysis. The fiscal note assumes a 75% reduction in DSH payments by 2018 as a result of both health insurance exchanges and Medicaid expansion, or a State General Fund match reduction from $313.6 M (appropriated for FY 15) to $78.4 M. The expansion component accounts for half of the SGF reduction.

The table below reflects the 5 and 10 year impact of both models.

	Moderate Take-up rate model Cumulative Estimate		High Take-up rate model Cumulative Estimate	
Category	5 Year SGF Total	10 Year SGF Total	5 Year SGF Total	10 Year SGF Total
New Eligible	$297,705,602	$1,299,049,782	$326,999,996	$1,571,751,645
Crowd Out	$108,372,845	$539,436,934	$171,060,497	$954,195,269
Woodwork	$74,467,739	$229,907,266	$74,467,739	$229,907,266
Administration	$24,233,151	$63,664,820	$28,958,027	$77,418,793
Transitioned Eligibles	($190,233,009)	($257,905,135)	($190,233,009)	($257,905,135)
Uninsured (DSH)	($157,421,176)	($356,549,556)	($221,207,454)	($482,432,454)
Total	$157,125,152	$1,517,604,111	$190,045,796	$2,092,935,384

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