



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HCR 1** HLS 14RS 413
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: April 1, 2014	10:10 AM	Author: EDWARDS
Dept./Agy.: DHH/Medicaid		
Subject: Medicaid Expansion		Analyst: Shawn Hotstream

HEALTH CARE OR INCREASE GF EX See Note Page 1 of 2
Amends administrative rules to cause La. Medicaid eligibility standards to conform to those established in the Affordable Care Act
Proposed House Concurrent Resolution (HCR) amends the Louisiana Administrative Code (LAC 50:III.501) related to Medicaid eligibility standards to provide the Louisiana Medicaid eligibility standards to conform to the standards established under the Affordable Care Act.

Proposed HCR requires the secretary of the Department of Health and Hospitals to submit to the Centers for Medicare and Medicaid Services on or before September 1, 2014, and any state plan amendments and demonstration waiver applications as may be necessary to implement the provisions of the resolution.

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	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed HCR amends the Louisiana Administrative Code (LAC 50:III.501) related to Medicaid eligibility standards to provide that the eligibility standards conform to the standards established under the Affordable Care Act. Although this resolution does not specify the expansion model to be implemented by the department, the fiscal note reflects an expansion model that utilizes a premium assistance model that allows 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.

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 M 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.
- 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.
- SEE PAGE 2

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

☒ 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

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

☐ 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}

John D. Carpenter
Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

- 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 M 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 expendiutres 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 categotry (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

Senate

☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

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

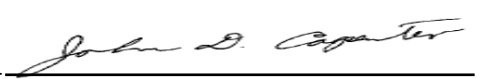
Dual Referral Rules

☒ 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}

House



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