LEGISLATIVE FISCAL OFFICE
Fiscal Note

Louisiana Legislative Fiscal Office — Fiscal Notes

Fiscal Note On: **SB 125** SLS 13RS 464
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 19, 2013 5:49 PM
Author: PETERSON
Dept./Agy.: DHH Medicaid
Subject: Medicaid Expansion
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MEDICAID EG DECREASE GF EX See Note

Provides for the Louisiana Health Care Independence Program and requires reporting of the program outcomes

Proposed law requires the Department of Health and Hospitals to create and administer the Louisiana Health Care Independence Program within the department.

Proposed law further provides that DHH submit and apply for such waivers and plan amendments, before September 1, 2013, necessary to implement the program. The program shall include premium assistance for eligible individuals to enable their enrollment in a qualified health plan through the federal health insurance marketplace. The program authorizes DHH to pay premiums and supplemental cost sharing subsidies directly to the federally qualified health plans for enrolled eligible individuals.
Proposed law authorizes the use of health savings accounts beginning in 2015 for individuals to utilize to purchase health insurance. Proposed law provides for certain reporting requirements of the department and evaluation of health outcomes for Medicaid enrollees.

Proposed law provides for sunset provisions (law terminates and becomes null and void on and after July 1, 2017.)

EXPENDITURES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	INCREASE	SEE BELOW	
Agy. Self-Gen.	$0	$0	$0	$0	$0	**$0**
Ded./Other	$0	$0	$0	$0	$0	**$0**
Federal Funds	DECREASE	DECREASE	DECREASE	INCREASE	SEE BELOW	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

REVENUES	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**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	SEE BELOW	
Federal Funds	INCREASE	INCREASE	INCREASE	INCREASE	SEE BELOW	
Local Funds	$0	$0	$0	$0	$0	**$0**
Annual Total						

EXPENDITURE EXPLANATION

Expanding Medicaid eligibility in Louisiana through a premium assistance program similar to the Arkansas expansion model for 4 years only is projected to result in a cumulative decrease in State General Fund expenditures over a 4 year period (from FY 14 through FY 17). However, net State General Fund costs are projected to be incurred in 2017 (4th year). The fiscal note provides an impact analysis over 4 years. In addition, the specific State General Fund (SGF) and programmatic (total expenditures) fiscal impact is projected as a range, and is based on multiple cost/savings factors. The range of SGF expenditure impact over 4 years is a cumulative decrease between $311 M and $323 M. The 4 year impacts are illustrated on page 2. The range is modeled on differences in the take up rate of new eligible enrollees, or a Moderate take up rate model and a High Take up rate model. The impact of both model's are calculated on a weighted costs per member per month (PMPM) for a benchmark health plan on the Health Insurance Exchange in Louisiana. The PMPM is adjusted to include wrap-around Medicaid costs and coinsurance costs including co-pays and deductibles (Medicaid responsibility).

The High Take-up rate model contemplates a more aggressive take up rate (85% through FY 17). This model reflects an increase of total programmatic expenditures of $512 M ($81 M SGF savings) in FY 14, and an increase of $8.6 B in total programmatic expenditures ($323.5 M SGF savings) over 4 years. The Moderate Take-up rate model contemplates a less aggressive take up rate (70% through FY 17). This model reflects an increase of total programmatic expenditures of $439 M ($82.5 M SGF savings) in FY 14, and an increase of $7.6 B in programmatic expenditures ($311 M SGF savings) over 4 years. Both models reflect a net SGF cost beginning in year 4 (FY 17).

This 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 4 year period, cost per eligible individual, administrative costs, the enhanced Federal Medical Assistance Percentage (FMAP), and the impact on Disproportionate Share Hospital (DSH) funding. Listed below are specific assumptions used in determining the net impact to Medicaid.

1) 290,000 uninsured between ages 19 and 64 to 138% of the federal poverty level (childless adults and parents of Medicaid eligible children). (Louisiana Health Insurance Survey, 2011, LSU Public Policy Research Lab).
2) All new eligibles participate in private insurance option in Health Insurance Exchange (excluding correctional healthcare).
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 weighted average rate of $450 (FY 14 rate).
   Rate adjusted to account for Medicaid responsibility for co-payments ($15 primary care, $45 specialist) and in network deductible ($200).
   Rates trended up 5% annually through FY 23 (Department of Insurance actuary estimate)

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REVENUE EXPLANATION

The fiscal note assumes all new eligibles will be enrolled in full risk health 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 revenue 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. Total premium tax earnings are estimated to be $177 M over 4 years. The revenue table also assumes additional federal financial participation.

Senate	Dual Referral Rules	House
[x] 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		[ ] 6.8(F) >= $500,000 Annual Fiscal Cost {S}
[ ] 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		[ ] 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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CONTINUED EXPLANATION from page one:

5) FMAP rate under PPACA for the 4 years: 100% FMAP from FY 14 -FY 16, 95%-FY 17
6) DSH reduction based on implementation of Health Insurance Exchanges and Medicaid expansion, estimated 68,000 childless adults projected to remain uninsured (beyond 400% of the FPL), Louisiana Health Insurance Survey, 2011
7) Assume benefits received for new eligibles are based on the Louisiana benchmark package (Gold Plan)
8) Crowd out assumptions based on Department of Insurance actuarial analysis

EXPENDITURE FACTORS

New Eligible Adults (290,000 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 290,000 currently uninsured individuals (uninsured adults between the age of 19-64 and certain parents). Under the Moderate Take-up model, total costs are projected to increase by $4.1 B ($78 M SGF) over 4 years. This is based on a 4 year take up rate of 70%. Under the High Take-up model, total costs are estimated to increase by $4.4 B ($89 M SGF) over 4 years. This is based on a take up rate of 85% over 4 years.

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 78,750 individuals phased in over 4 years in the Moderate Take-up model, and 122,000 individuals over 4 years in the High Take-up model. These individuals are considered new eligibles for the purposes of the enhanced state match, and are anticipated to increase SGF Medicaid costs beginning FY 17. The Moderate Take-up model reflects total Medicaid costs increasing by $1.5 B ($28 M SGF) over 4 years. This is based on a 4 year take up rate of 32% of those considered eligible. The High Take-up model reflects a cost of $2.2 B ($43.7 M SGF) over 4 years. This cost is based on 50% of the individuals with ESI or private insurance transitioning to a premium assistance program on the exchange.

Currently Eligible, not enrolled (Woodwork): Approximately 36,000 are projected to be currently eligible for Medicaid, but not enrolled (DHH estimate reflected in FY 14 DHH Budget Request). 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 (62.96%), and SGF Medicaid match cost will increase beginning in FY 14. Costs reflected in the Moderate Take-up model are anticipated to increase by $92 M ($34 M SGF) over 4 years. Costs are based on a 30% take up rate over 4 years. The High Take-up model reflects a cost of $123 M ($46 M SGF) over 4 years.

Medicaid Administration: Medicaid Administration costs are based on hiring additional Medicaid Analyst personnel for processing eligibility applications, renewal applications, case management, processing change request (change in income, change in health circumstance), and payment to the health plans for processing and compiling managed care performance data. Additional Fiscal Intermediary (Molina) costs are projected to ensure payments are processed to the plans. Analysts are anticipated to process 1,680 new or renewal applications a year. The Moderate Take-up model reflects $64 M ($32 M SGF) in total costs over 4 years. The High Take-up model projects $70 M ($35 M SGF) over 4 years.

Transitioned Eligibles: Certain Medicaid enrollees that currently receive a limited benefit (less than full or benchmark benefits) are considered new eligibles under Medicaid expansion (including a premium assistance model), and are eligible to receive enhanced federal match under PPACA. The fiscal note assumes 100% take up in the health insurance exchange in order to take advantage of the enhanced FMAP. 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 qualifying after these individuals spend down resources in order to qualify), Disability Medicaid enrollees, and children aging out of foster care. In addition, individuals that receive certain specialized behavioral health services that are currently funded with 100% SGF now qualify under the expansion. Both models anticipate decreasing SGF by $400 M over 4 years. Programatic costs are projected to increase by $2 B over 4 years. In calculating the affect of covering these populations, costs were trended forward 4 years without expansion (under standard match). These expenditures are compared to the cost of these populations receiving benefits on the exchange as new eligibles (with enhanced match). This comparison of SGF spending resulted in the savings in SGF discussed above. Total programmatic spending is anticipated to increase as these populations are anticipated to receive full benchmark benefits, not services only specific to a disease. Spending under the premium assistance model was built on a base per member per month cost of $450 for each population category.

Disproportionate Share Hospital (DSH) payments for uninsured (safety net population): Based on the Louisiana Health Insurance Survey (LHIS) of 2011, approximately 565,000 (89%) of Louisiana's 633,000 total uninsured are estimated to fall below 400% of the FPL, leaving an additional 68,000 adults still estimated uninsured (11%). 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 2017 as the result of both the implementation of a Health Insurance Exchange and Medicaid expansion through a premium assistance model, or a State General Fund match reduction from $225 M (appropriated for FY 14) to $57.5 M. The expansion component accounts for half the SGF reduction.

Category	High Take-up rate Cumulative Estimate 4 Year SGF Total	Moderate Take-up Rate Cumulative Estimate 4 Year SGF Total
New Eligibles	$88,707,686	$78,271,487
Crowd Out	$43,724,885	$28,224,055
Woodwork	$45,817,871	$34,048,130
Administration	$35,055,906	$32,136,857
Transitioned Eligibles	($400,915,984)	($400,915,984)
Uninsured (DSH)	($135,990,000)	($83,750,000)
	($323,599,636)	**($311,985,455)**

Note: The expenditure analysis reflected above does not consider the net impact of additional revenue to the state as the result of additional spending or premium tax revenue generated into the Medical Assistance Trust Fund annually.

Note: Medicaid expansion under proposed law terminates in the beginning of FY 18. Additional SGF resources are anticipated to restore DSH funding to a level sufficient to provide safety net services to those individuals in exchanges that will become uninsured. To the extent the expansion is continued beyond FY 18, significant additional State General Fund costs are projected annually in future fiscal years as a result of costs associated with increased take up rates and annual increases in state matching contributions.

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