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# **State Health Reform Assistance Network**

## Charting the Road to Coverage

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# Examining the Economics of Medicaid Expansion

*State Health Reform Assistance Network*  
*Small Group Convening*

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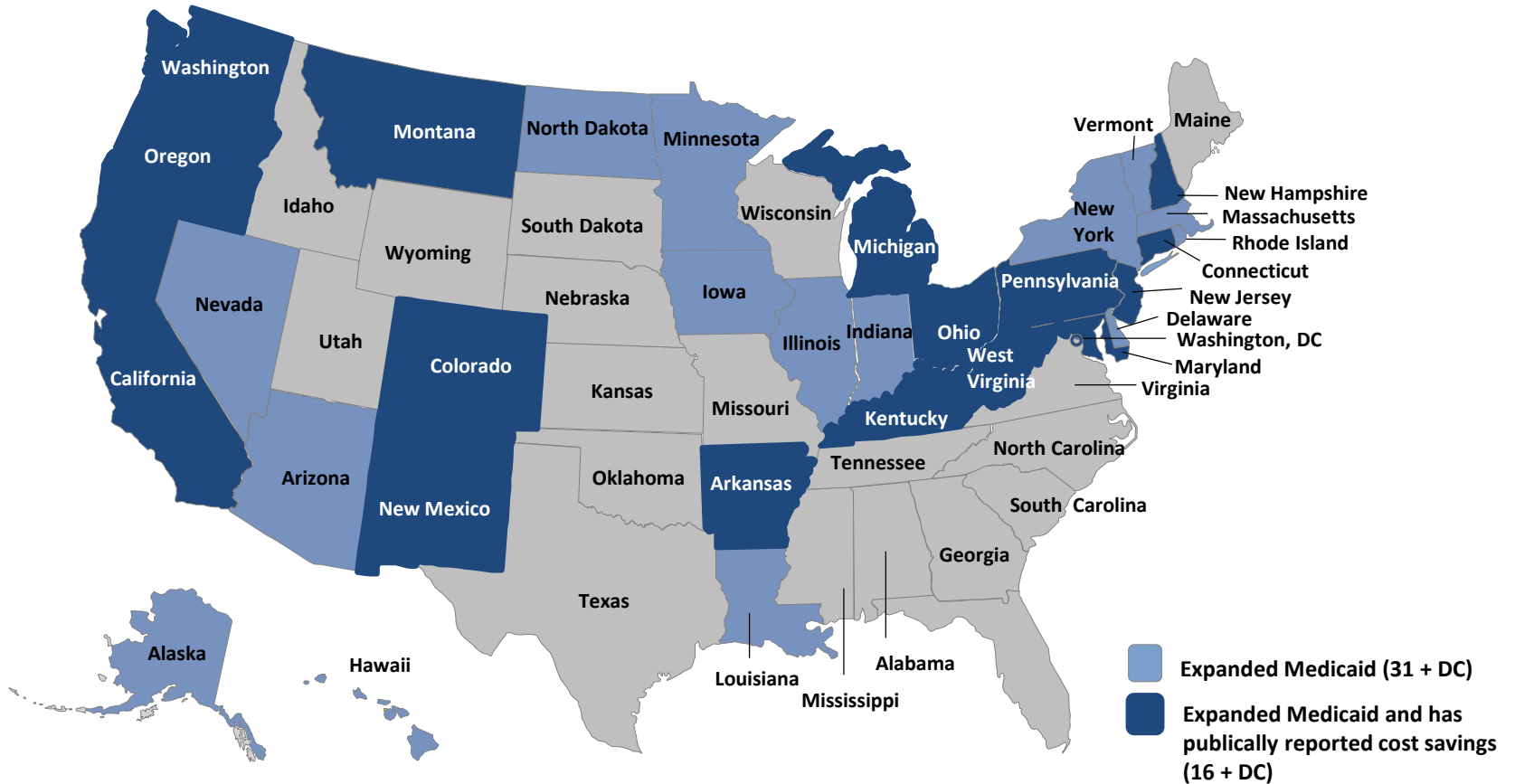
# Focus of Today's Discussion

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- Review latest state findings on economic impacts of expansion
  - Discuss how states can refine estimates of enrollment, savings, and other expansion impacts
  - Discuss how states are using information on economic impacts
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# Research on Economic Impacts Continues to Grow

Expansion states across the country are analyzing and reporting state budget savings.



# Savings From Accessing Enhanced Federal Matching Funds

Categories	
<b>Medically Needy</b>	State receives enhanced federal match when adults - who previously would have had to “spend down” to a state’s medically needy eligibility threshold - enroll in Medicaid through the new adult group.
<b>Disabled</b>	With expansion, some individuals who previously would have needed a disability determination to qualify for Medicaid may enroll in the new adult group based on income alone. This leads to fewer disability determinations (resulting in administrative savings in the short term), and fewer individuals in disability groups (long term savings).
<b>Pregnant Women</b>	Women enrolled in the new adult group who become pregnant remain in the new adult group; States continue to receive enhanced federal match. Note: no savings for women who are pregnant at the time of application or renewal.
<b>Family Planning Programs</b>	States often cover individuals not otherwise eligible for Medicaid in family planning programs. With expansion, States replace family planning match (90% for family planning services; regular match for other related services) with newly eligible match.
<b>Breast &amp; Cervical Cancer Treatment Program</b>	States cover certain adults with breast or cervical cancer through Breast and Cervical Cancer Treatment Program at the CHIP match rate. With expansion, enrollees with incomes < 138% FPL qualify for coverage through the new adult group.
<b>Waiver Programs</b>	States that have used Medicaid waivers to cover adults prior to expansion (and received regular match), may be able to transition these individuals into the new adult group and thereby access enhanced match.

# Savings From Replacing General Funds with Medicaid Funds

Categories	
<b>Mental/ Behavioral Health</b>	State and local funding supports mental health and substance abuse treatment for uninsured individuals. With expansion, previously uninsured individuals are now eligible for Medicaid in the new adult group; states receive Medicaid funding.
<b>Inmates</b>	Medicaid covers inpatient costs of prisoners who would otherwise be eligible for Medicaid. With expansion, most prisoners will be Medicaid eligible, resulting in savings to state corrections budgets related to inpatient care. Medicaid expansion also permits states to provide Medicaid coverage immediately upon release.
<b>Public Health</b>	State and local funding supports health services for uninsured individuals (e.g. tobacco cessation programs, immunizations). With expansion, previously uninsured individuals are eligible for Medicaid in the new adult group; states receive Medicaid funding.
<b>Other State Programs Targeted to Uninsured</b>	Where states fund other programs that provide healthcare services to the uninsured, with expansion, previously uninsured individuals are now eligible for Medicaid in the new adult group; states receive Medicaid funding.

Sources:

Deborah Bachrach, Patricia Boozang, Avi Herring and Dori Glanz Reyneri. States Expanding Medicaid See Significant Budget Savings and Revenue Gains. RWJF, State Health Reform Assistance Network. March 2016. [http://www.rwjf.org/content/dam/farm/reports/issue\\_briefs/2016/rwjf419097](http://www.rwjf.org/content/dam/farm/reports/issue_briefs/2016/rwjf419097)

Burs, Marguerite and Dague, Laura. The Effect of Expanding Medicaid Eligibility on Supplementary Security Income Program Participation (March 22, 2016). Available at SSRN: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2753784](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2753784)

# Revenue Gains

## Provider and Plan Taxes, Fees and Assessments

- **Pre-expansion:**
  - Many states raised revenue through assessments/taxes on providers and health plans
- **Post-expansion:**
  - With expansion, existing taxes/fees/assessment generate additional revenue for the state as the providers/plans Medicaid revenue increases.
  - Some states are imposing additional assessments to raise revenue to cover expansion related costs



# Practical Considerations in Tracking Savings

## What is the baseline for relevant eligibility groups?

- To estimate savings, need to understand what picture would be without expansion
- Consider historical enrollment and spending levels, rates of growth

## How much enrollment/spending change is attributable to expansion?

- In some cases, it may be clear that decline tied to expansion (e.g., when an optional eligibility category has been eliminated)
- In others, picture may be more nuanced (e.g., SSI beneficiaries)

# Tracking Savings: Pregnant Women and the Disabled



## Pregnant Women

- ✓ **Establish baseline spending**
  - Consider historical growth
- ✓ **Track declines in enrollment in pregnant women eligibility group**
  - Newly eligible women who identify as pregnant at renewal must be moved out of the new adult group and into the pregnant women group for FMAP
  - State will see a decline in enrollment in pregnant women category.
- ✓ **Track decline in actual cost of pregnant women**



## Disabled

- ✓ **Establish baseline spending**
  - Consider spending on SSI and also any optional disabled groups
  - Consider historical growth
- ✓ **Track declines in disability applications**
  - Reductions in administrative expenses
- ✓ **Track declines in enrollment in disability eligibility groups**
  - SSI and any optional disability groups
  - Dual enrollees not eligible for new adult group; exclude from analysis if possible
- ✓ **Track decline in actual cost of disabled**

# Expansion May Generate Savings for Counties



**Law Enforcement**



**Homelessness  
Services**



**Hospital  
Uncompensated Care**



**Mental Health &  
Substance Abuse Services**

# Emerging Data on Impact of Expansion on Hospitals



- ✓ Expansion states saw greater reductions in hospital uncompensated care costs between 2013 and 2014 (26% reduction, versus 16% in non-expansion states)
- ✓ Hospitals in some expansion states have seen uncompensated care drop by more than half
  - Arkansas Hospitals uncompensated care down 56% in 6 months
  - Kentucky Hospitals uncompensated care down 60% in 6 months
  - Ascension Health uncompensated care down 3% in non-expansion states vs. 63% in expansion
- ✓ As of September 2015, the percentage of rural hospitals at risk of closure had doubled in non-expansion states as compared to expansion states

# Data Emerging on Broader Economic Impacts



**Economic Growth**  
State GDP



**Indirect Tax Revenues**  
Income, Sales, Use Taxes



**Earnings**  
Health Care Workers,  
Average Household



**Employment**  
Health Care Workers,  
Indirect Workers

Colorado Health Foundation Report: <http://www.coloradohealth.org/WorkArea/DownloadAsset.aspx?id=8222>

University of New Mexico Report: [http://bber.unm.edu/media/publications/Medicaid\\_Expansion\\_Final2116R.pdf](http://bber.unm.edu/media/publications/Medicaid_Expansion_Final2116R.pdf)

# Emerging Data on Access and Outcome Improvements

## Studies of Expansion States

- ✓ **Increased use of preventive care and regular care for chronic conditions**
- ✓ **Increased medication adherence**
- ✓ **Increased access to breast cancer screenings\***
- ✓ **Reduced mortality\***

## Early Michigan Experience

- Percentage of Primary Care Providers (PCPs) accepting new Medicaid patients rose from 49% to 55%
- Median wait times for new appointments were <2 weeks
- Healthy Michigan enrollees participated in health risk assessments more than twice as often as enrollees of typical commercial plan
- More than half of expansion enrollees had visited primary care physician as of Feb. 2015

\*Evidence is from pre-ACA expansions of Medicaid

Sources: State of Michigan, "Healthy Michigan Plan—Risk Assessment Report" (July 2015); State Health Reform Assistance Network. "Medicaid Expansion: Just the Facts". RWJ State Health Reform Assistance Network. April 2016. [Statenetwork.org/wp-content/uploads/2016/03/State-Network-GMMB-Manatt-Medicaid-Expansion-Just-the-Facts-April-2016.pdf](http://Statenetwork.org/wp-content/uploads/2016/03/State-Network-GMMB-Manatt-Medicaid-Expansion-Just-the-Facts-April-2016.pdf)

# Understanding and Refining Enrollment Projections

## Why has actual enrollment exceeded projections in many expansion states?

- **Variation in survey-based estimates of the eligible population**
  - For example, Census Bureau tables typically use a family definition of income, rather than a health insurance unit definition that better reflects how income is counted for Medicaid eligibility purposes
- **Lack of clarity on best assumptions for uninsured take-up and crowd out**
  - Estimates for pre-ACA expansions varied substantially
- **Delayed renewals may have played a role in keeping enrollment artificially high**
  - 36 states received waivers from CMS for this purpose and in many cases the date of completion extended well into 2015

# Understanding and Refining Enrollment Projections

## What is the evidence to date regarding the “woodwork” or “welcome-mat” effect?

- There has been a woodwork effect as a result of the ACA, but on average it appears similar between expansion and non-expansion states since January 2014
- In four states that expanded after January 2014, none have shown a substantial increase in previously eligible enrollment and two have shown a decrease

## What is a reasonable expectation of take-up for the new adult group for states considering expansion?

- In a majority of expansion states, enrollment increases are consistent with the high end of take-up seen under pre-ACA Medicaid expansions
- May be useful to focus on experience in recent expansion states
- Policies regarding transition of existing populations (e.g., SNAP) play an important role



# Discussion



**Thank you!**

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