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# **State Health Reform Assistance Network**

## Charting the Road to Coverage

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# **States Expanding Medicaid See Significant Budget Savings and Revenue Gains**

**Deborah Bachrach**  
**Patti Boozang**  
**Manatt Health Solutions**  
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# Agenda

- **Introduction & Project Overview**
- **State Savings from Accessing Enhanced Federal Funds**
- **State Savings from Replacing General Funds with Medicaid Funds**
- **Revenue Gains**
- **State Use of Expansion Savings and Revenue Gains**
- **Conclusion**



# Economic Benefits of Expansion Consistent Across States

Savings and revenues by the end of 2015 – just 1.5 years into expansion – expected to exceed \$1.8B across all eight states

## Highlights:

- Results are now available on the **actual** fiscal impact of Medicaid expansion
- These are early results – additional savings likely
- Savings and revenue gains are consistent across states
- In Arkansas and Kentucky, savings and revenue gains expected to offset expansion costs through SFY 2021

## Every expansion state should expect to:

- Reduce state spending on programs for the uninsured
- See savings related to previously eligible Medicaid beneficiaries now eligible for the “new adult” group under expansion
- Increase revenue related to existing insurer and provider taxes



# **State Savings from Accessing Enhanced Federal Matching Funds**

# Savings From Accessing Enhanced Federal Matching Funds

## Pre-expansion

- States used limited waivers or special eligibility categories to provide Medicaid coverage to targeted individuals
- States were responsible for 30-50% of the cost of covering these individuals

## Post-expansion

- Individuals who were previously eligible under pre-ACA eligibility categories are now eligible for Medicaid in the new adult group
- **States receive enhanced federal funding for providing full Medicaid benefits to these populations**





# Types of Savings from Accessing Enhanced Federal Matching Funds

## Categories Include:



Adult Waiver Populations



Medically Needy



Pregnant Women



Disabled



Family Planning



Breast & Cervical Cancer Treatment Program



Other Targeted Programs (e.g. HIV, Tuberculosis)

# Savings Related to Coverage of Pregnant Women



Women enrolled in the new adult group who become pregnant remain in the new adult group; states continue to receive enhanced federal match

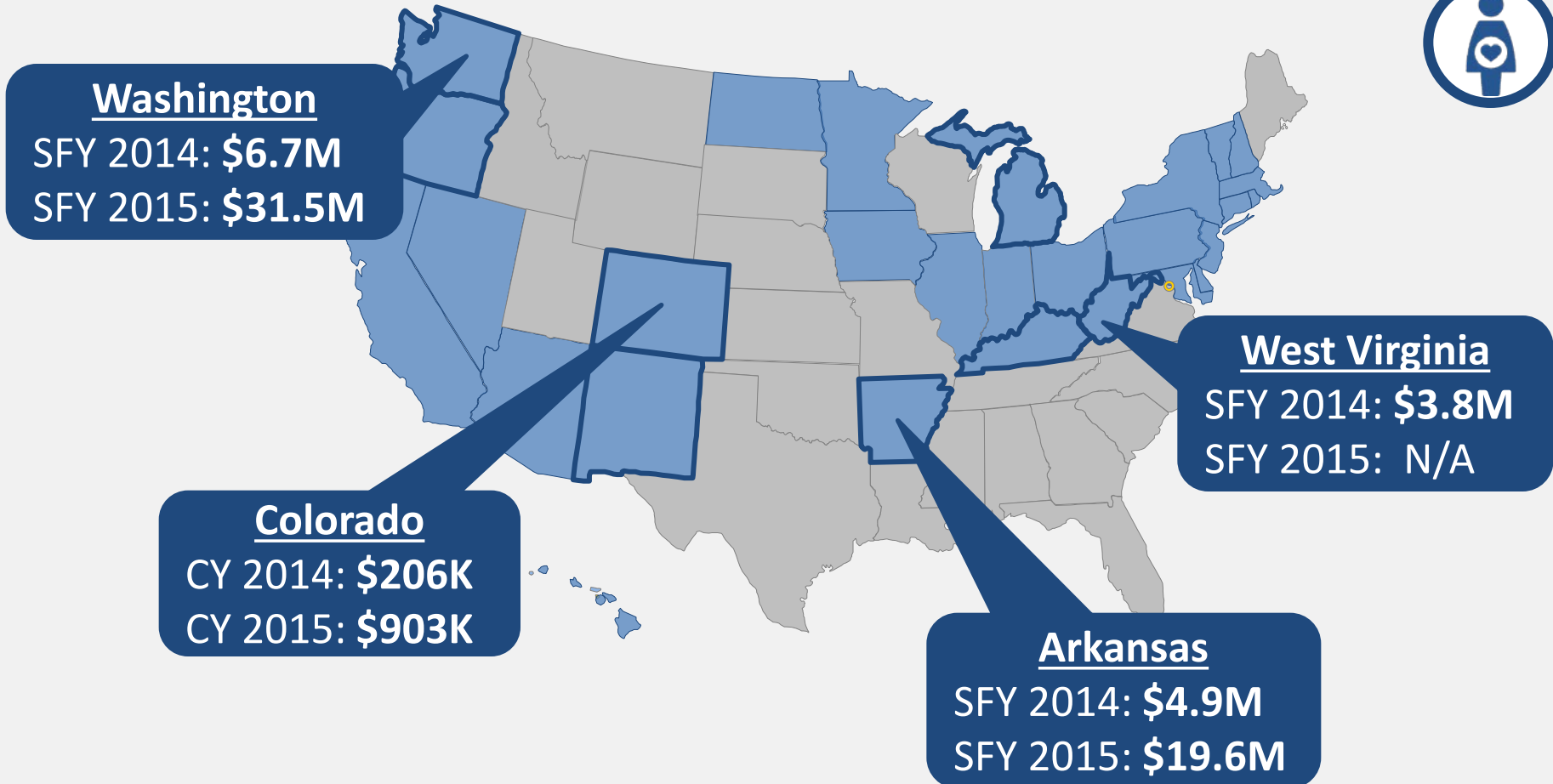
## Breaking it Down

### States accrue savings for:

- All childless adults below 138% FPL who become pregnant
- All newly eligible parents (above pre-ACA parent eligibility levels) who become pregnant

\* **Note:** Individuals pregnant at the time of application *are not* eligible for the new adult group and State *will not* generate savings

# Savings Related to Coverage of Pregnant Women



# Savings Related to Medically Needy Spend Down

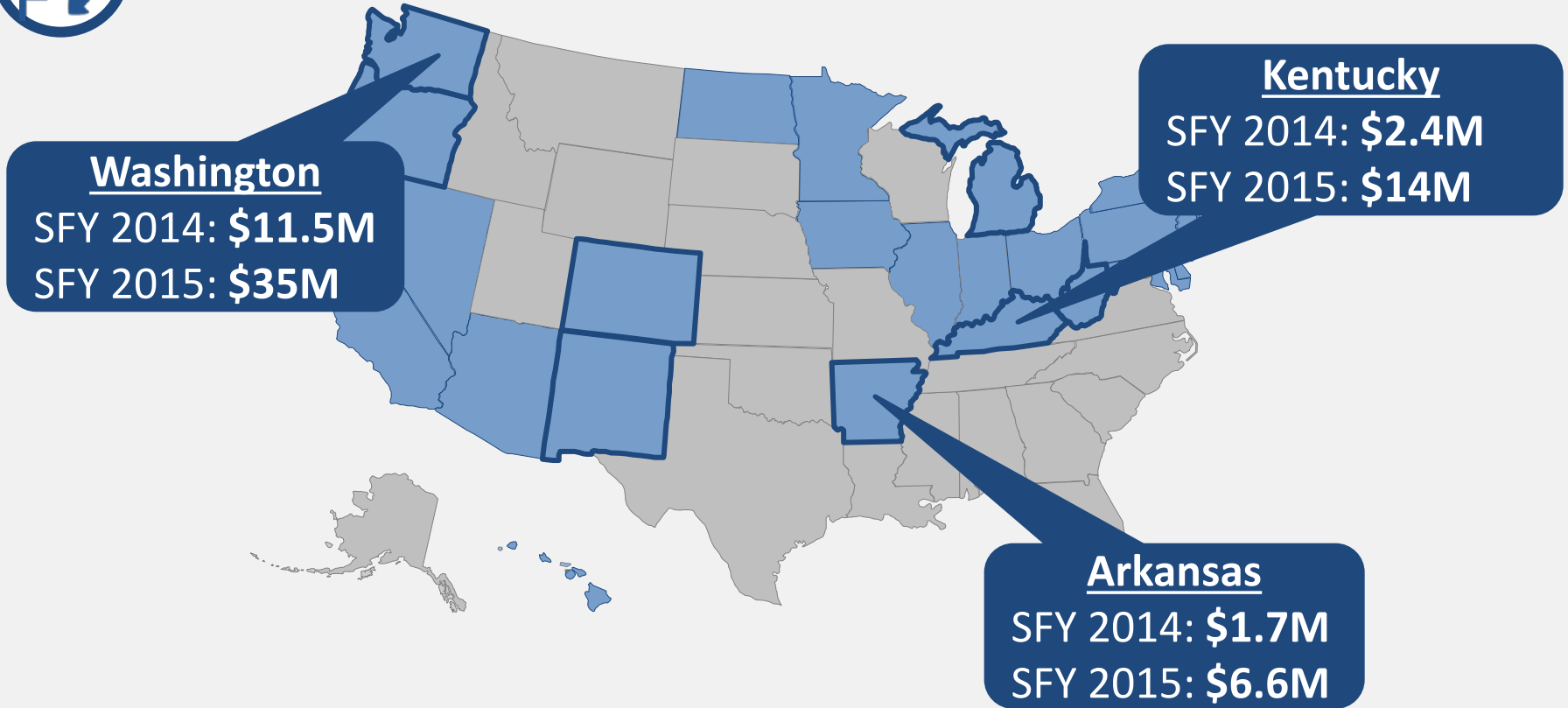


Previously, some adults became Medicaid eligible by “spending down” to state’s medically needy eligibility threshold; post-expansion, individuals with incomes above this threshold but below 138% FPL are enrolled in the new adult group, and the state receives enhanced federal match.

## Breaking it Down

- Applies only to states with medically needy programs
- No savings for elderly or those with a disability determination (do not qualify as new adults)
- Most others will enroll in the new adult group
- States see substantial savings in this category, as these are high cost individuals

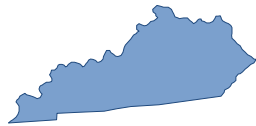
# Savings Related to Medically Needy Spend Down



# Savings for Disabled Populations



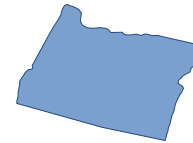
Before expansion, low-income individuals otherwise ineligible for Medicaid (*e.g.* childless adults) were able to secure Medicaid upon federal or state disability determination. Post-expansion, individuals with incomes up to 138% FPL are eligible as new adults without a disability determination, and states receive enhanced federal match.



## KENTUCKY

SFY 2014: **\$1.7M**

SFY 2015: **\$7.9M**



## OREGON

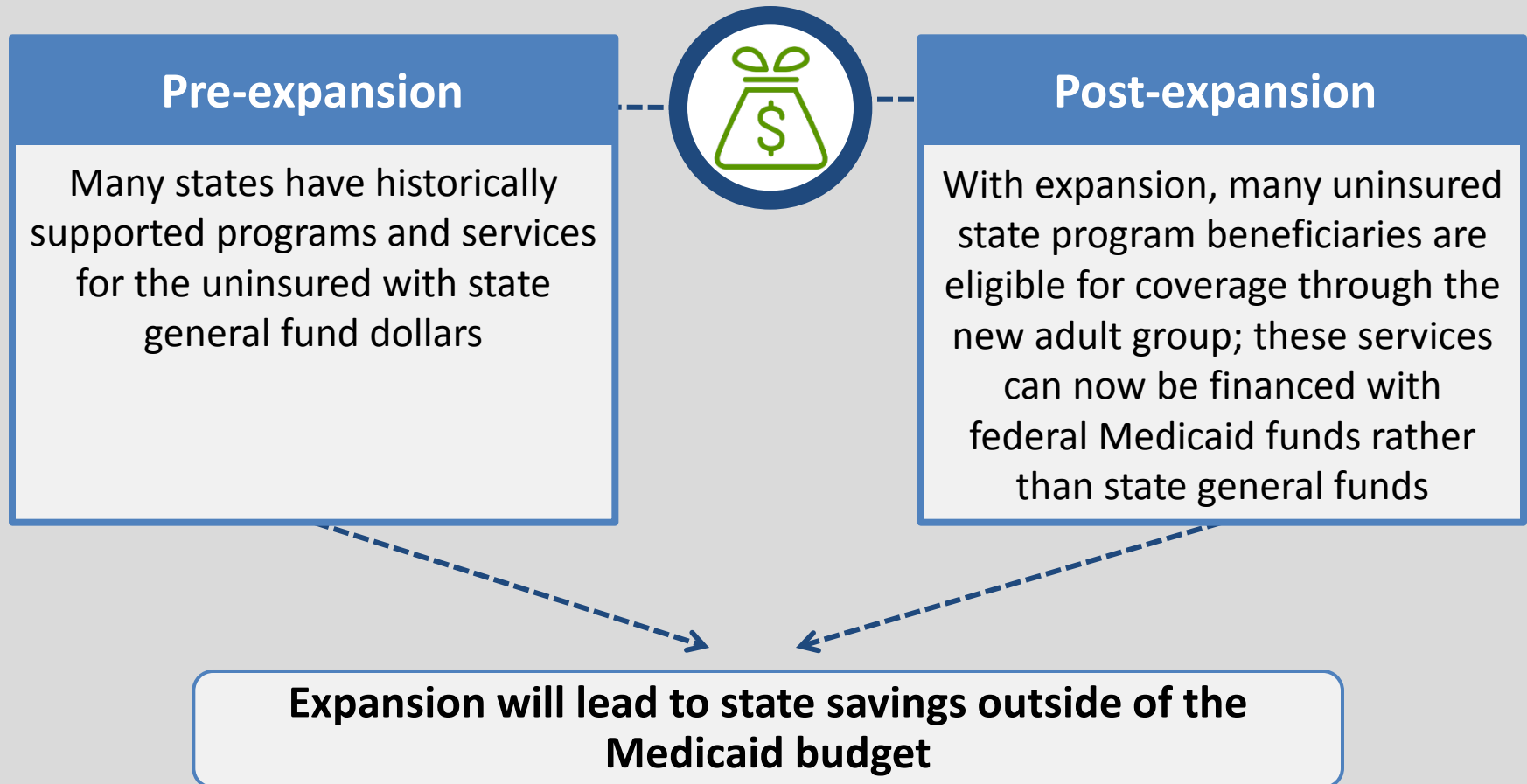
Disability determinations dropped from 7,000 in CY 2013 to 1,400 in CY 2014

## Breaking it Down

- Individuals currently eligible based on disability will stay in the disability category
- People no longer have to seek a disability determination to get Medicaid coverage; disability applications and disability determinations will decrease

# **State Savings From Replacing General Funds with Medicaid Funds**

# Savings From Replacing General Funds with Medicaid Funds





# Types of Savings from Replacing General Funds with Medicaid Funds

## Categories Include:



Uncompensated Care Funding



Mental/Behavioral Health



Public Health



Inmates



Other State Programs Targeted to the Uninsured

# Savings on Mental Health/Substance Abuse Services

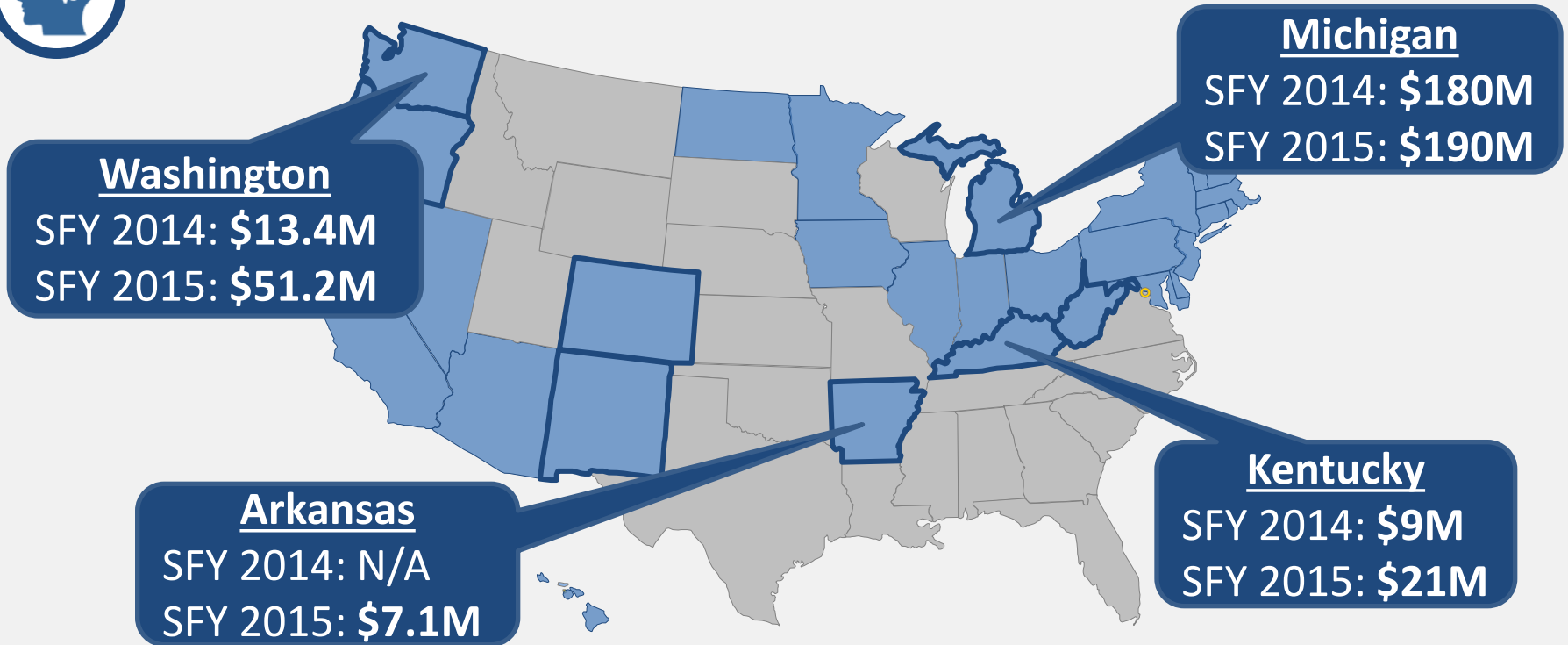


State and local funding supports mental health and substance abuse treatment for uninsured individuals. With expansion, previously uninsured individuals are now eligible for Medicaid in the new adult group; states receive Medicaid funding.

## Breaking it Down

- 100% state funding replaced with Medicaid funding with enhanced federal match
- Savings are outside of the Medicaid budget and often in the budget of another agency; legislative action may be needed to reduce spending
- Enhanced federal match applies to spending on medical services; 50% federal match on administrative spending

# Savings on Mental Health/Substance Abuse Services



# Savings on Inpatient Costs of Prisoners

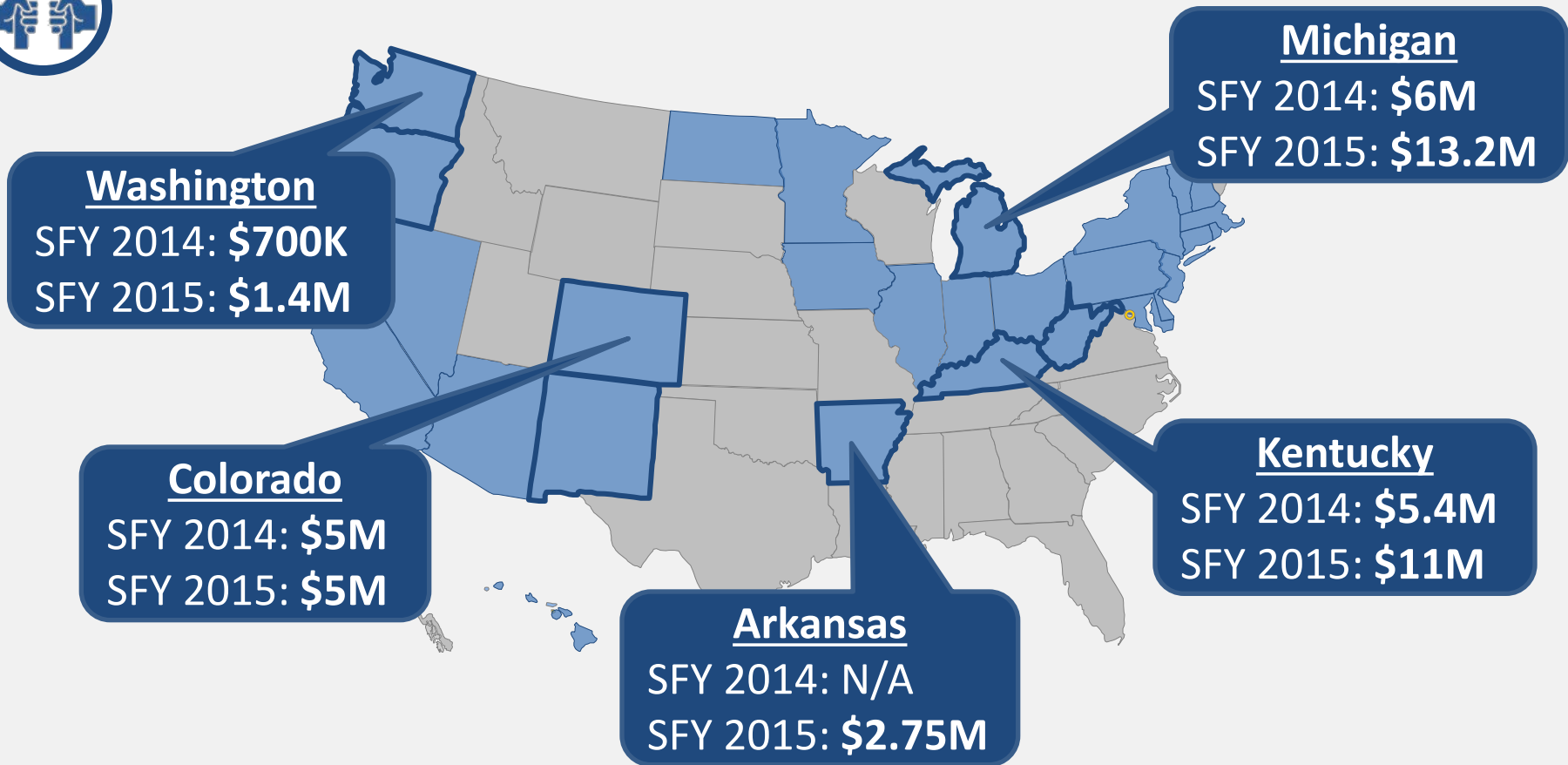


Medicaid covers inpatient costs of prisoners who would otherwise be eligible for Medicaid. With expansion, most prisoners will be Medicaid eligible (but for their incarceration status) resulting in savings to state corrections budgets related to inpatient care.

## Breaking it Down

- Savings accrue to corrections budget for costs of inpatient services for prisoners < 138% FPL
- State must estimate percentage of corrections health care costs that are attributable to inpatient services

# Savings on Inpatient Costs of Prisoners



# Revenue Gains

# Revenue Gains

## Pre-expansion

Many states raise revenue through assessments/taxes on providers and health plans



## Post-expansion

With expansion, Medicaid revenue to providers and plans increases, generating additional tax revenue for states

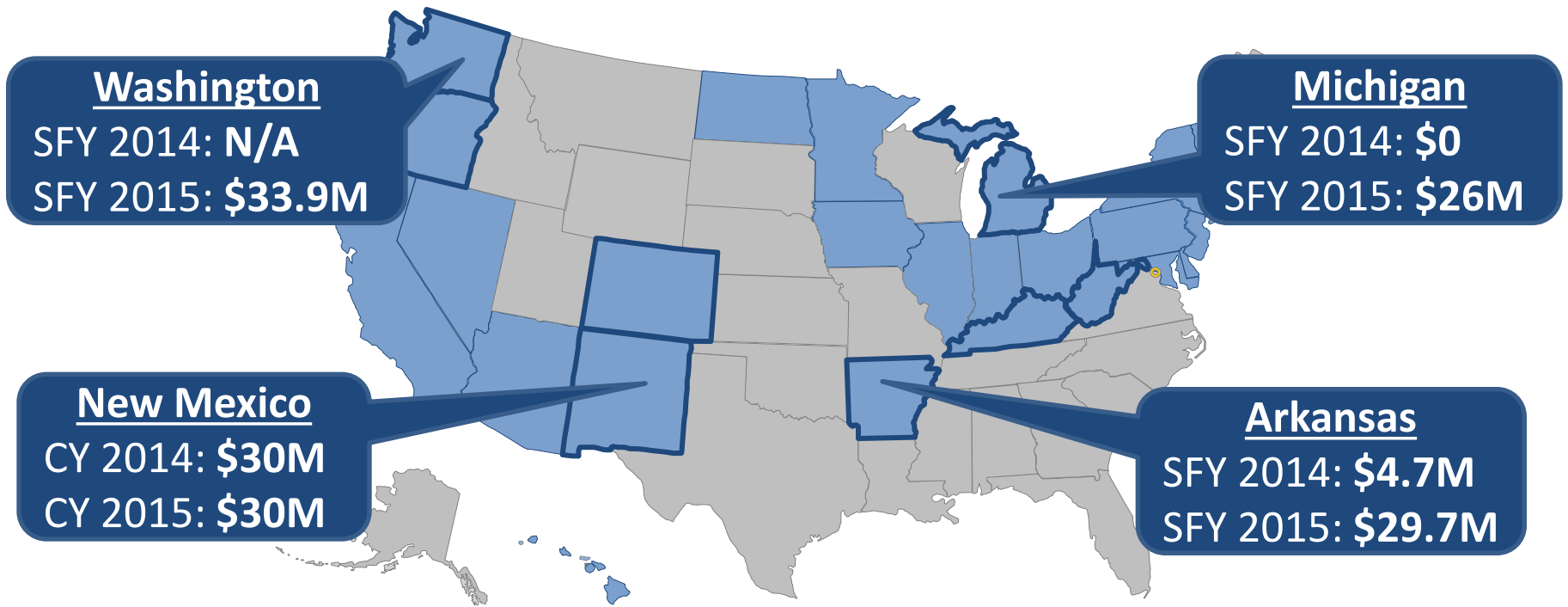
## Revenue Gain Categories

- Provider taxes (especially on hospitals)
- Insurer taxes
- Nearly every state has provider and/or insurer assessments

# State Revenue Gains



Four states expect revenue gains from insurer assessments, ranging from \$4.7 M to \$33.9 M/year.





# **State Use of Expansion Savings and Revenue Gains**

# State Use of Expansion Savings and Revenue Gains



**Addressing budget shortfalls**



**Funding the state's share of the costs of Medicaid expansion after 2016**



**Reinvesting in mental and behavioral health services and capacity**



**Funding other state budget priorities**

# Resources

**FINAL REPORT:** <http://www.rwjf.org/en/library/research/2015/04/states-expanding-medicaid-see-significant-budget-savings-and-rev.html>

- The final report includes an appendix with state budget tables and an appendix outlining the savings and revenue opportunities identified by the eight states.

**INTERIM REPORT on Kentucky and Arkansas:**  
<http://statenetwork.org/resource/state-network-medicaid-expansion-states-see-significant-budget-savings-and-revenue-gains/>

**Deborah Bachrach**

[dbachrach@manatt.com](mailto:dbachrach@manatt.com)

202-790-4594

**Patti Boozang**

[pboozang@manatt.com](mailto:pboozang@manatt.com)

212-790-4523

# Thank You!

State	Lead Interviewees
<b>Arkansas</b>	Suzanne Bierman, <i>Assistant Director of Medical Services</i> Mark Story, <i>CFO Arkansas Department of Human Services</i>
<b>Colorado</b>	Elizabeth Baskett <i>Lead of Medicaid Reform, Department of Medicaid</i>
<b>Kentucky</b>	Lisa Lee, <i>Medicaid Commissioner, Kentucky Department for Medicaid Services</i>
<b>Michigan</b>	Stephen Fitton, <i>Medicaid Director</i> Farah Hanley <i>Director, Bureau of Medicaid Policy and Health System Innovation</i> <i>Michigan Medical Services Administration</i>
<b>New Mexico</b>	Kari Armijo <i>Health Care Reform Manager, New Mexico Medicaid</i>
<b>Oregon</b>	Lisa Angus <i>Health Policy Development Lead, Oregon Health Policy and Research</i>
<b>Washington</b>	Nathan Johnson, <i>Medicaid Policy Manager</i> MaryAnne Lindeblad <i>Director of Medicaid</i> <i>Washington Health Care Authority</i>
<b>West Virginia</b>	Jeff Wiseman <i>Assistant to the Deputy Secretary, West Virginia Department of Health and Human Resources</i>

**Questions?**

**Thank You**