

COVID-19

Analyzing the Fiscal Impact of COVID-19, the Economic Downturn, and Recent Policy Changes: 50-State Databook Overview

*Manatt Health
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Summary of Analysis

On Thursday, June 4, State Health and Value Strategies (SHVS) hosted a [webinar](#) during which experts from Manatt Health discussed the fiscal implications for states and Medicaid programs of the COVID-19 pandemic, the emerging economic downturn, and recent legislation to address these twin crises, including the Families First Coronavirus Response Act (“Families First”) and the Health and Economic Recovery Omnibus Emergency Solutions (“HEROES”) Act. The webinar focused on identifying key considerations for states when modeling the interaction of each of these various factors. Manatt Health also presented topline results from the Manatt Medicaid and Children’s Health Insurance Program (CHIP) Financing Model on the overall fiscal impact on the Medicaid and CHIP programs across several possible pandemic, recession, and policy scenarios. See the below box for key takeaways from this webinar.

Key Takeaways: Understanding the Fiscal Impact of COVID-19, the Economic Downturn, and Recent Policy Changes

- The federal match rate increase in Families First is helpful but may fall short of what is needed to avoid net increases in state spending on Medicaid through 2021 given expected enrollment growth.
- If adopted, the HEROES Act would allow states to meet the growing need for coverage and partially mitigate budget-driven pressures to reduce Medicaid expenditures.
- To fully mitigate pressures to reduce Medicaid expenditures during the pandemic, a more substantial and extended increase in the federal match rate is required to allow states to cover rising enrollment even as state revenues fall.

How to Use the Databook

Each table in the [Databook](#) displays projected changes in federal and state Medicaid and CHIP expenditures during calendar years 2020 and 2021 across all fifty states and the District of Columbia for a given scenario and policy response. Taken together, the Databook provides estimates that span across a range of plausible scenarios reflecting increased enrollment and per enrollee spending growth and changes to the duration of the federal PHE. All fiscal impacts are expressed as changes from baseline projections, which assume a small amount of expenditure growth over two years.

We provide a total of 12 tables, organized into three major groups:

- **Tables 1 through 5: Impact of Families First across different enrollment growth scenarios.**
 - Table 1 represents the impact of Families First under baseline enrollment and expenditure growth assumptions (approximately 1 percent nationally from January 2020 through December 2021). As such, this table assumes no net increase in Medicaid and CHIP expenditures. Therefore, all projected increases in federal expenditures as a result of Families First are offset by proportionate reductions in state expenditures.
 - Tables 2 through 5 show the impact of Families First after applying upward enrollment growth adjustments across all states by eligibility group on a monthly basis. The adjustments result in aggregate enrollment growth from January 2020 through December 2021 of the following:
 - Table 2: 10 percent
 - Table 3: 14 percent
 - Table 4: 32 percent
 - Table 5: 49 percent

These enrollment adjustments result in net increases in Medicaid and CHIP expenditures. In some (but not all) scenarios, this leads to net increases in state expenditures relative to baseline.

- In each of these scenarios, we assume that the federal PHE expires at the end of 2020, meaning states would return to their regular match rates beginning in January 2021. We also generally assume that the monthly rate of enrollment growth declines simultaneous with the expiration of the PHE.
- **Tables 6 through 10: Impact of the HEROES Act across different enrollment growth scenarios.**

In Tables 6-10, we show the impact of the increased match rate from the HEROES Act across the same set of scenarios described above for Tables 1 through 5. While we continue to assume that the federal PHE expires at the end of 2020 in these scenarios, we continue to apply the HEROES Act match rate increase through June 2021, as required by the legislation.

- **Tables 11 and 12: Impact of Families First under alternative scenarios.**
 - Table 11: In this table, we present three scenarios where we compare the relative fiscal impact of Families First if the PHE were to expire after December 2020, June 2021, and December 2021. Under each scenario, we assume aggregate enrollment growth of approximately 14 percent from January 2020 through December 2021 (aligned with Tables 3 and 8, described above).
 - Table 12: In this table, we demonstrate the impact of Families First if we assume per enrollee expenditures fall by 25 percent in April 2020, before gradually returning to normal by October 2020. Under this scenario, we assume aggregate enrollment growth of approximately 14 percent from January 2020 through December 2021 (as in Tables 3, 8, and 11, described above). We also assume that the PHE expires after December 2020.

For a detailed description of the methodology behind the financial model, please refer to the [appendix](#).

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State Health and Value Strategies (SHVS) assists states in their efforts to transform health and health care by providing targeted technical assistance to state officials and agencies. The program is a grantee of the Robert Wood Johnson Foundation, led by staff at Princeton University's Woodrow Wilson School of Public and International Affairs. The program connects states with experts and peers to undertake health care transformation initiatives. By engaging state officials, the program provides lessons learned, highlights successful strategies and brings together states with experts in the field. Learn more at www.shvs.org.

ABOUT MANATT HEALTH

This document was prepared by Jocelyn Guyer and Adam Striar. Manatt Health integrates legal and consulting expertise to better serve the complex needs of clients across the healthcare system. Our diverse team of more than 160 attorneys and consultants from Manatt, Phelps & Phillips, LLP and its consulting subsidiary, Manatt Health Strategies, LLC, is passionate about helping our clients advance their business interests, fulfill their missions, and lead healthcare into the future. For more information, visit <https://www.manatt.com/Health>.

Fiscal Impact of COVID-19: Appendix – Financial Model Methodology

The Manatt Health Medicaid and CHIP Financing Model (“Manatt Medicaid Model”) projects changes in federal and state Medicaid and CHIP expenditures across all fifty states and the District of Columbia based on assumptions around recession and pandemic-related impacts and recent federal policy changes. To do this, the model projects expenditures for calendar years 2020 and 2021 under current law and pre-COVID economic conditions and compares these expenditures to those under several alternative scenarios that posit expected changes in enrollment growth, per enrollee spending growth, the federal matching rate, and the duration of the federal public health emergency (PHE).

Projecting Baseline Enrollment

We project baseline Medicaid and CHIP enrollment for each state using several data sources. We use CMS quarterly enrollment reports to establish total enrollment and expansion adult enrollment for FY 2018 and assume a distribution across remaining eligibility groups based on tabulations from the Medicaid and CHIP Payment and Access Commission (MACPAC) of Medicaid Statistical Information System (MSIS) data from FY 2013.^{1,2} For October 2018 through December 2019, we grow Medicaid enrollment based on state and age-specific trends from the CMS Monthly Medicaid and CHIP enrollment reports.³ We also rely on this report for CHIP enrollment. In five states (Idaho, Maine, Utah, Virginia, and Wisconsin), we supplement the model with state-specific data sources because of recent policy changes not otherwise captured in the state-by-state data available from national sources. To trend enrollment forward beyond December 2019 in the baseline, we rely on state and age-specific population growth projections developed by AARP based on Census data.⁴

Projecting Baseline Expenditures

To project baseline expenditures in each state, we first derive aggregate Medicaid expenditures by state for FY 2018 using CMS quarterly expenditure reports.⁵ We then develop per enrollee expenditures by eligibility group by marrying MACPAC tabulations of full-year equivalent (FYE) per enrollee Medicaid spending by eligibility group by state from FY 2013 with the CMS quarterly expenditure reports.⁶ To do this, we calibrate per enrollee expenditures from MACPAC such that within each state, spending per enrollee by group multiplied by total enrollment by group matches total non-expansion Medicaid expenditures in FY 2018. In expansion states, we separately calculate per expansion enrollee expenditures based on actual expansion spending and enrollment as reported by CMS. In states that have expanded since 2018 (Idaho, Maine, Utah, and Virginia), we assume per enrollee expenditures for expansion and non-expansion adults are the same, since CMS expenditure reports that reflect these states’ expansions are not yet available.

¹ <https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-chip-enrollment-data/medicaid-enrollment-data-collected-through-mbes/index.html>

² <https://www.macpac.gov/wp-content/uploads/2015/11/EXHIBIT-15.-Medicaid-Full-Year-Equivalent-Enrollment-by-State-and-Eligibility-Group-FY-2013-FY-2014-thousands.pdf>

³ <https://www.medicaid.gov/medicaid/national-medicaid-chip-program-information/medicaid-chip-enrollment-data/monthly-medicaid-chip-application-eligibility-determination-and-enrollment-reports-data/index.html>

⁴ <https://dataexplorer.aarp.org/indicator/156/population-projections-by-age-sex-and-raceethnicity#/bar?primarygrp=dist5&secondgrp=dist2&dist5=23,30,31&dist2=2,6,8,9,10&dist1=352&loc=1&tf=38&fmt=496>

⁵ <https://www.medicaid.gov/medicaid/financial-management/state-expenditure-reporting-for-medicaid-chip/expenditure-reports-mbes/index.html>

⁶ <https://www.macpac.gov/wp-content/uploads/2015/01/EXHIBIT-22.-Medicaid-Benefit-Spending-Per-Full-Year-Equivalent-Enrollee-by-State-and-Eligibility-Group-FY-2013-FY-2014.pdf>

To project per enrollee expenditures beyond 2018 in the baseline, we apply eligibility group-specific trend rates derived from the latest CBO Medicaid baseline.⁷ Finally, we project aggregate expenditures in each state and year by multiplying projected per enrollee spending by projected enrollment.

Recession/Pandemic Sensitivity Analysis

Our analysis focuses on demonstrating the sensitivity of fiscal impacts to various changes in Medicaid expenditures and enrollment as a result of the COVID-19 pandemic and recession and recent policy changes responding to these crises. To do this, we apply a range of enrollment growth, per enrollee spending growth, and federal policy assumptions to our baseline expenditure estimates.⁸ We then express the fiscal impact, both federal and state, as the difference between scenario expenditures and baseline expenditures.

We primarily focus on demonstrating the fiscal impact of changes to Medicaid enrollment patterns by applying varying monthly enrollment growth rates by eligibility group (see Tables 1 through 10). In each scenario, we assume a faster rate of enrollment growth for non-aged, non-disabled enrollees. Additionally, under most scenarios, we assume that the rate of enrollment growth declines simultaneous with the expiration of the PHE.⁹ Our enrollment growth scenarios range from 10 percent aggregate enrollment growth from January 2020 through December 2021 on the low end to 49 percent growth on the high end; these compare to projected growth of approximately 1 percent under our baseline assumptions. Across each enrollment growth scenario, we project the fiscal impact of the match rate increases in Families First and the HEROES Act; we also assume that the PHE expires at the end of 2020.

In addition to the enrollment growth sensitivity analysis described above, we also present several alternative scenarios to demonstrate the fiscal impact under Families First of the duration of the PHE and changes in per enrollee expenditures (see Tables 11 and 12). Under each of these scenarios, we assume aggregate enrollment growth of approximately 14 percent from January 2020 through December 2021. In the PHE scenarios (Table 11), we compare the relative fiscal impact of the PHE expiring after December 2020, June 2021, and December 2021. In the per enrollee spending growth scenario (Table 12), we assume that per enrollee expenditures fall by 25 percent in April 2020, before gradually returning to normal by October 2020. Under this scenario, we also assume the PHE expires after December 2020.

⁷ <https://www.cbo.gov/system/files/2020-03/51301-2020-03-medicaid.pdf>

⁸ This analysis does not attempt to project growth in enrollment or per enrollee expenditures under the pandemic and recession scenarios. Scenarios showing varying levels of enrollment and per enrollee spending growth are intended to demonstrate the sensitivity of fiscal impacts to changes in these parameters. However, these parameters should not be interpreted as predictions.

⁹ In Tables 1, 2, 6 and 7, we do not lower enrollment growth trends following the expiration of the PHE due to already low rates of assumed enrollment growth.