ESTIMATING THE FINANCIAL IMPACT OF THE MEDICAID EXPANSION

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
THE UNIVERSITY OF MONTANA
### The Medicaid Expansion: Who’s In and Who’s Out? (pre-election, post-election)

<table>
<thead>
<tr>
<th>Expand Medicaid to 138% FPL</th>
<th>Number of States</th>
</tr>
</thead>
<tbody>
<tr>
<td>No expansion</td>
<td>6 (FL, GA, LA, MS, SC, TX)</td>
</tr>
<tr>
<td></td>
<td>8 (GA, LA, MS, SC, TX, OK, AL, ME)</td>
</tr>
<tr>
<td>Leaning toward “No expansion”</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Yes to expansion</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>12</td>
</tr>
<tr>
<td>Leaning toward “Yes to expansion”</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>5</td>
</tr>
<tr>
<td>Undecided</td>
<td>25</td>
</tr>
<tr>
<td></td>
<td>20</td>
</tr>
</tbody>
</table>
Major Cost Drivers in Medicaid Expansion

- Healthcare system capacity
- Potential expansion population
- Changes in FMAP for existing programs
- Cost per enrollee
- Inflation factor
Benefits associated with reducing uninsured rate

- Increased tax revenues
- Reduced uncompensated care
- Increased worker productivity
- Increased use of appropriate medications and routine follow-up care
- Decreased adult mortality
- Decreased hospitalizations
Annual change in per capita spending AFTER health care, Montana (2009 $)
Medicaid Economics

- Annually revised FMAP for current beneficiaries
- Expansion FMAP = 100% for first 3 years for those enrolled under new eligibility standards
- Ramps down to 90% by 2020, and stays there
Ratio that determines the FMAP: 3 Year Per Capita Income
When our economy does better than the national economy, the FMAP goes down.
Moving Parts to Medicaid, over 50 dependent codes
5 categories of Medicaid enrollees

1. Adults & children currently in Medicaid, HMK (formerly CHIP), HMK+ (formerly Children’s Medicaid)
2. Uninsured adults eligible but not enrolled
3. Uninsured children eligible but not enrolled
4. Uninsured adults “newly” eligible for Medicaid if expanded
5. Adults with private coverage now eligible Medicaid
Medicaid Expansion to <138% FPL, How Many?

- Use of MAGI vs. AGI for eligibility

- How aggressively will states market expansion?

- Young adults eligible for Medicaid who stay on parent’s policy
Enrollment Preferences
2011 Study “Parents’ Views of CHIP & Medicaid”

- Gov Office
- Community Group
- School
- Telephone
- Mail
- Online
The Number of Potential New Medicaid Enrollees

Total uninsured in Montana
with incomes <138% FPL

Medicaid Population
( ? ) % of 69,000

Woodwork population
2,000

Crowd Out population
14,000

BBER-UM Estimate
childless adults
56,000

RJWF/Urban Institute (August 2012)
60,000
How would our expansion stack up to other states?

- Medicaid Expansion Index: MT = 99.6
  - WY = 114.7, ID = 100.5, WA = 89.9, ND = 95.0

- The 8 “No” States to expansion
  - ME = 67.2, AL = 109.8, GA = 126.1, LA = 135.3, MS = 127.7, SC = 123.8, TX = 120.2, OK = 143.7
Other Populations to Consider....

- Bubble population (>138% and < 150%)
  - 5,000 uninsured
  - 14,000 insured
- Young adults on parent’s policy
  - (17,000)
- Donut Hole population (too rich for Medicaid, too poor for tax credits and cost sharing in Exchanges)
  - (37,000)
<table>
<thead>
<tr>
<th>Family Income as % of Federal Poverty Level</th>
<th>Eligible for Exchange Credit?</th>
<th>Eligible for Cost Sharing Subsidy (if in Silver Plan)?</th>
<th>Fair or Poor Health, Uninsured Adults</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>30-49 Years Old</td>
</tr>
<tr>
<td>&lt; 138%</td>
<td>Medicaid</td>
<td>Medicaid</td>
<td>32% (26%)</td>
</tr>
<tr>
<td>138% – 250%</td>
<td>Yes</td>
<td>Yes</td>
<td>8% (16%)</td>
</tr>
<tr>
<td>250% - 400%</td>
<td>Yes</td>
<td>No</td>
<td>-- (11%)</td>
</tr>
<tr>
<td>400%+</td>
<td>No</td>
<td>No</td>
<td>-- (9%)</td>
</tr>
</tbody>
</table>
### Health Care Resource Utilization Ratios (visits per 100 people)

<table>
<thead>
<tr>
<th></th>
<th>Primary Care Offices</th>
<th>Hospital Outpatient Departments</th>
<th>Hospital Emergency Departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicaid &amp; CHIP</td>
<td>3.9</td>
<td>4.4</td>
<td>2.0</td>
</tr>
<tr>
<td>compared to Uninsured</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid &amp; CHIP</td>
<td>1.3</td>
<td>4.9</td>
<td>3.6</td>
</tr>
<tr>
<td>compared to Private Insurance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uninsured</td>
<td>0.3</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td>compared to Private Insurance</td>
<td></td>
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</tbody>
</table>
## Incremental increase in health care demand

<table>
<thead>
<tr>
<th></th>
<th>Primary care</th>
<th>Surgical specialty</th>
<th>Medical specialty</th>
<th>Hospital outpatient</th>
<th>Hospital ER</th>
<th>Total added visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Insurance via FFE</td>
<td>129,234</td>
<td>38,658</td>
<td>32,028</td>
<td>(1,938)</td>
<td>(19,380)</td>
<td>178,602</td>
</tr>
<tr>
<td>Medicaid Expansion</td>
<td>121,216</td>
<td>10,176</td>
<td>9,472</td>
<td>42,048</td>
<td>25,984</td>
<td>208,896</td>
</tr>
<tr>
<td>Total added visits</td>
<td>250,450</td>
<td>48,834</td>
<td>41,500</td>
<td>40,110</td>
<td>6,604</td>
<td>387,498</td>
</tr>
</tbody>
</table>
Can health system handle added demand?

- Primary Care Capacity Index: MT= 106.2
  - Others: WY = 79.9, ID = 84.2, ND = 85.2, SD = 99.3, WA = 135.4

- The 8 “No” states to expansion
  - ME= 157.1, AL = 73.9, GA = 57.5, LA = 66.3, MS = 89.8, SC = 85.5, TX = 55.9, OK = 58.8
Primary care capacity in Montana

- Existing SUPPLY = 2,074,800 office visits/year
- Existing DEMAND = 1,744,889 office visits/year
- Added Medicaid and FFE demand: +250,450

- Primary care excess capacity (office visits per year)

79,461
Budgetary Impact

**Assumptions:**
- 2009 PMPY $9,900 @ 6% per year
- 2009 PMPY $4,382 @ 6% per year
- 57% participation rate grows proportionately until 83% in 2020
- FMAP for newly eligible 100% 2014-2016, 95% (2017), 94% (2018), 93% (2019), and 90% in 2020 and thereafter
- 66% FMAP “previously eligible” ($1.94 in federal funds sent to Montana for every $1.00 state spending)
- Administration expenses @ 6% total benefits w/ split @ 42% state 58% federal
- Medicaid population grows at 1% annually
<table>
<thead>
<tr>
<th>Year</th>
<th>Lower cost per enrollee scenario</th>
<th>Total</th>
<th>Higher cost per enrollee scenario</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-2019</td>
<td>$182.9</td>
<td>$2,593.9</td>
<td>$2,776.8</td>
<td>$413.3</td>
</tr>
<tr>
<td>2020</td>
<td>$83.6</td>
<td>$591.8</td>
<td>$675.4</td>
<td>$188.9</td>
</tr>
<tr>
<td>Total</td>
<td>$266.5</td>
<td>$3,185.7</td>
<td>$3,452.2</td>
<td>$602.1</td>
</tr>
</tbody>
</table>
Total Medicaid 2014-2020: $3.5 Billion
(low cost scenario)

- Hospitals: $1,142,685,830
- LTC: $673,183,495
- Retail-Health: $169,158,929
- Physicians and Other: $434,980,104
- Home Health: $193,324,491
Total Medicaid 2014-2020: $7.8 Billion (high cost scenario)

Hospitals: $2,581,812,088
LTC: $1,521,007,122
Retail-Health: $382,201,790
Physicians and Other: $982,804,602
Home Health: $436,802,045
Closer look at hospitals, 2014-2020...

Federal Dollars (low cost scenario)

Federal Dollars (high cost scenario)
2012 Study by the Urban Institute
time period 2013-2022

<table>
<thead>
<tr>
<th>No ACA</th>
<th>No Medicaid Expansion</th>
<th>Medicaid Expansion</th>
<th>Incremental Change over No ACA</th>
<th>Incremental Change over No Medicaid Expansion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Expenditures</td>
<td>$10,555</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Expenditures</td>
<td>$4,694</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$15,249</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enrollment (000’s)</td>
<td>101</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncompensated Care</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Net Effect</td>
<td></td>
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But the buck doesn’t stop at cost only...

- Federal dollars stimulate economy, leading to increased jobs, labor income, business sales, and tax revenues for government.

- As uninsured become insured, uncompensated care will be reduced leading to less cost-shifting to those with insurance.
The impact of “new” dollars

Flow of Medicaid Dollars Through a State Economy

Federal Medicaid Matching Dollars — Injection of New Money —

State Medicaid Dollars

Health Care Services

Vendors (ex. Medical Supply Firm)

Employee Income

JOBS

Consumer Goods and Services

Taxes

Direct Effects

Indirect Effects

Induced Effects
Uncompensated Care to uninsured?
(total estimated for 2011 = $268.3 million)

- Hospitals $163.6 m
- Community Providers $ 68.2 m
- Physicians $ 36.5 m

- Uncompensated Care per Uninsured $1,376
  - Childless adults may well be less
- Uncompensated care escalates per CPI-Medical Care
So in addition to costs...

- Quantify amount of *reduced* uncompensated care delivered by health care providers as previously uninsured acquire Medicaid coverage....

  and

- Assess the economic impact of *new* federal dollars injected into the Montana economy...
**“net savings” to state of Montana-low cost scenario**  
(millions of current dollars, except average wage)

<table>
<thead>
<tr>
<th>Initial uninsured rate = 20%</th>
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<tbody>
<tr>
<td></td>
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<tr>
<td>2014-2020</td>
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| Post Medicaid expansion uninsured rate = 13% |

<table>
<thead>
<tr>
<th>Annualized economic impact of new federal funding match</th>
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<tr>
<td>Average Annual Job Creation</td>
</tr>
<tr>
<td>2014-2020</td>
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</tbody>
</table>
“net savings” to state of Montana-high cost scenario (millions of current dollars, except average wage)

<table>
<thead>
<tr>
<th>Initial uninsured rate = 20%</th>
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</thead>
<tbody>
<tr>
<td>State Cost Share</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>2014-2020</td>
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</tbody>
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<table>
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<th>Post Medicaid expansion uninsured rate = 13%</th>
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<td>Annualized economic impact of new federal funding match</td>
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<td>2014-2020</td>
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What Could Change Estimates?

- Fiscal cliff and changes to PPACA
- Take-up rates
- Per enrollee spending (health status of childless adults)
- FMAP match for pre expansion population (depends on Montana economy relative to economy of U.S.)
- Possible Churn (bubble population)
- Crowd out (employers tend to raise employee contributions in response to increased Medicaid eligibility)
Thank you for your time...

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