Utah Medicaid Expansion Analysis

June 20th, 2013

Agenda

- PCG Background and Relevant Experience
- Update on Optional Medicaid Expansion
- Utah Department of Health Medicaid Expansion Modeling Project Overview
- Results of the PCG Medicaid Expansion Simulation Model
- Questions and Answers

Public Consulting Group Background

- Public Consulting Group, PCG, is an international management consulting firm headquartered in Boston, MA with over 26 years in experience
- Over 1,000 employees in offices across 23 states, Canada, Poland, and the UK
- PCG is a recognized leader in Health Care Reform and Health Benefit Exchange (HBE) consulting

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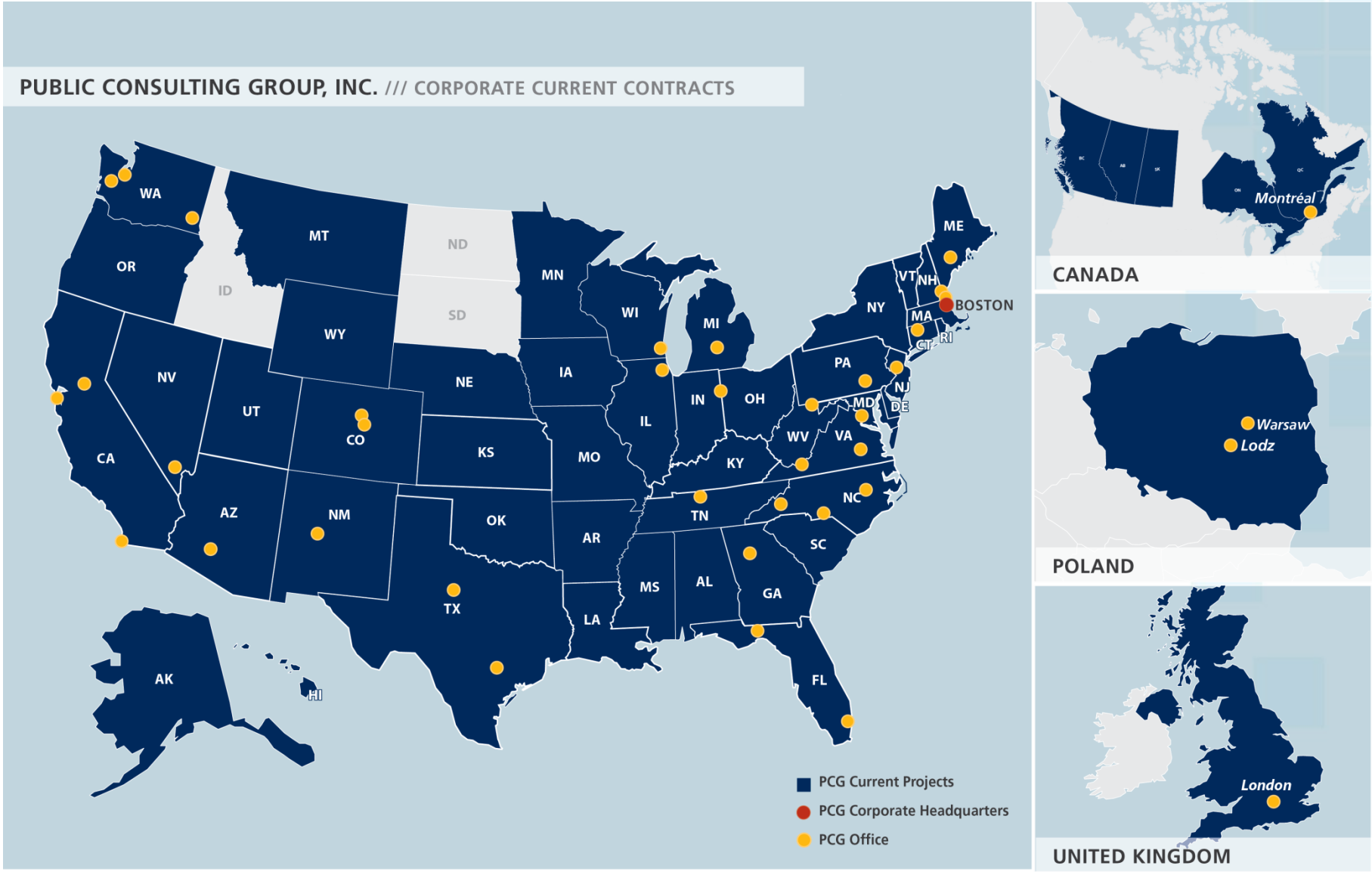

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PCG Expansion Modeling Experience

- PCG has a wide range of modeling experience across multiple states with examples spanning exchange enrollment figures to Medicaid expansion program projections
- Colorado Adults without Dependent Children (AwDC) Eligibility Population Expansion – identified population mix by Federal Poverty Levels (FPL), modeled costs of program expansion, and oversaw program implementation
- Colorado Buy-In Program for People with Disabilities – identified potential enrollees, modeled the cost of the program, policy design assistance
- Health Insurance Exchanges – modeled enrollment projections and created financial sustainability analysis (includes work in AK, DE, HI, NV, TN, and WY)

The Decision: Optional Medicaid Expansion

- On June 28th 2012, the U.S. Supreme Court issued a decision that states had the option to decide on whether to expand Medicaid
- The Supreme Court did not rule on whether states could expand and receive enhanced federal matching funds to populations not up to 138% of the FPL
  - Later issued guidance has suggested states must expand to 138% to receive the enhanced match, but this issue has not yet been resolved
  - There is no deadline for making a decision
- As of June 14th, 15 states are not participating, 30 states (and DC) are participating, and 6 states remains undecided

Medicaid Expansion Modeling Project Overview

- Create a Medicaid Expansion Cost / Benefit Analysis for the State of Utah
- Present analysis over multiple time periods
  - Six months (January – June 2014), one year (January – December 2014), three years (January – December 2016) and ten years (January 2014 – December 2023)
- Model costs / savings on two different expansion levels
  - Up to 100% of the Federal Poverty Level
  - Up to 138% of the Federal Poverty Level
- Model costs / savings on two separate benefit packages
  - Traditional Medicaid Package
  - State's Benchmark Plan Benefit Package

Project Overview: Modeled Scenarios

- In working with the Department, PCG identified and modeled five likely scenarios
- Enrollment estimates were provided in addition to additional costs / savings
  - Scenario 1 – Mandatory Changes and Trended Medicaid Enrollment due to ACA provisions (No Optional Expansion)
  - Scenario 2 – Optional Expansion to 138% of FPL with Traditional Medicaid Benefits
  - Scenario 3 – Optional Expansion to 138% of FPL with Benchmark Plan Benefits
  - Scenario 4 - Optional Expansion to 100% FPL with Traditional Medicaid Benefits
  - Scenario 5 – Optional Expansion to 100% FPL with Benchmark Plan Benefits

Results Summary

- Results were modeled for all five scenarios
- Includes population data, PMPM spending estimates, savings estimates, tax revenue, and administrative costs at the state and county level
- Federal spending has been removed from the summary sheets
- Projections presented over multiple time periods

Results Summary

Total Cost/(Savings) to State and County Government for Mandatory Expansion Added to Optional Expansion Scenarios				
State Government Costs/(Savings)	**January - June 2014**	**January - December 2014**	**January 2014 - December 2016**	**January 2014 - December 2023**
Averaged Totals	**Six Month Total**	**One Year Total**	**Three Year Total**	**Ten Year Total**
Mandatory Only (Scenario 1)	$ 1,956,382.27	$ 7,272,796.56	$ 39,082,298.06	$ 220,563,689.55
Mandatory Plus Scenario 2	$ (6,142,949.47)	$ (18,310,081.64)	$ (28,399,611.39)	$ 376,544,077.26
Mandatory Plus Scenario 3	$ (6,142,949.47)	$ (18,310,081.64)	$ (28,399,611.39)	$ 334,978,320.75
Mandatory Plus Scenario 4	$ 1,884,461.56	$ 8,838,513.50	$ 88,280,630.32	$ 581,352,419.61
Mandatory Plus Scenario 5	$ 1,036,053.18	$ 4,535,076.76	$ 64,658,768.33	$ 511,897,698.90

Explaining the Results

- Mandatory and optional expansion populations were modeled
- Benefit packages were defined
- Per member per month cost projections were applied to trended populations

- Analyzed specific areas
  - Administrative costs
  - Opportunity costs
  - Uncompensated care
  - Public assistance
  - Medically needy

Population Methodology

- Two main data sources were utilized
  - March 2012 Annual Social Economic (ASEC) Supplement to the 2012 Current Population Survey (CPS)
  - Data supplied by Utah Department of Health (DOH) and Department of Workforce Services (DWS)
- All data is specific to Utah and is not extrapolated from National figures
- Historical populations were created for the uninsured, Medicaid eligible, and Privately insured
- Linear regression technique was applied in trending population forward into future year estimates
- Take up rate and lag assumptions were applied

Population Categories by Insurance Status

2012 Utah	Poverty Level	Population Subset	Count
Uninsured	0 - 100% FPL	Children	28,000
	0 - 100% FPL	Adults (19 - 64) with children	23,707
	0 - 100% FPL	Adults (19 - 64) without children	49,293
	0 - 138% FPL	Children	49,642
	0 - 138% FPL	Adults (19 - 64) with children	48,846
	0 - 138% FPL	Adults (19 - 64) without children	101,561
Private Insurance	0 - 100% FPL	Children	47,000
	0 - 100% FPL	Adults (19 - 64) with children	25,411
	0 - 100% FPL	Adults (19 - 64) without children	31,589
	0 - 138% FPL	Children	106,107
	0 - 138% FPL	Adults (19 - 64) with children	89,996
	0 - 138% FPL	Adults (19 - 64) without children	111,880
Medicaid Coverage	0 - 100% FPL	Children	62,000
	0 - 100% FPL	Adults (19 - 64) with children	27,000
	0 - 100% FPL	Adults (19 - 64) without children	0
	0 - 138% FPL	Children	166,000
	0 - 138% FPL	Adults (19 - 64) with children	51,900
	0 - 138% FPL	Adults (19 - 64) without children	0

Mandatory Expansion and Woodwork Effect

- Will receive current Federal Financial Participation
- Mandatory expansion must occur regardless of expansion decision
  - Result of MAGI eligibility conversion
  - Includes children moving from CHIP to Medicaid
- Woodwork effect is currently eligible but not enrolled individuals
  - Total populations were found for all possible eligibles for report period
  - High (71%) and Low (48%) take up rates were applied
  - Lag percentages were applied over the first three years (38%; 97%; 100%)

Expansion Population Estimates: Mandatory and Woodwork Effect

- No expansion; mandatory eligibility changes and woodwork effect modeled
- Must occur regardless of expansion decision
- Does not expand coverage to new groups

Population	1/14 - 12/14	1/16 -12/16	1/23 -12/23
Average			
Children	10,560	29,529	46,543
CHIP Children	29,298	30,909	41,027
Adults (19 - 64) with Children	3,822	7,905	13,659
Adults (19 - 64) without Children	-	-	-

Optional Expansion

- Individuals who are not currently eligible for Medicaid in Utah will gain coverage
  - Adults without dependent children
  - Adults with dependent children above 50% FPL
- Analyzed two population groups: 0-100 FPL and 0-138 FPL
  - High (71%) and Low (48%) take up rates were applied
  - Lag percentages were applied over the first three years (38%; 97%; 100%)
- Enhanced Federal Financial Participation (FFP) is only expected under full (0-138) expansion

Expansion Population Estimates: to 138 FPL

- Optional expansion choice; covers all legal residents of applicable ages to 138% of the Federal Poverty Level
- Original expansion envisioned by the ACA
- Subject to increased federal matching
- Expands Medicaid to new groups

Population	1/14 - 12/14	1/16 -12/16	1/23 -12/23
Average			
Children	-	-	-
Adults (19 - 64) with Children	11,725	30,855	40,136
Adults (19 - 64) without Children	24,379	64,154	83,450

Cost Data and Benefit Packages

- Trended past cost data into future years to create per member per year (PMPY) estimates
- Two separate packages were considered
  - Traditional Medicaid
  - Public Employee Health Plan (PEHP) “Basic Plus” was utilized to model the Benchmark Plan cost data
- PMPY estimates were applied to trended population figures across each of the five scenarios

Scenario 1 State Service Costs

(Mandatory & Woodwork)

Scenario 1 State Share Service Costs	1/14 - 12/14	1/16 -12/16	1/23 -12/23
Children	$ 3,616,562	$ 10,521,687	$ 19,049,682
CHIP Children	$ 842,075	$ 924,262	$ 1,409,203
Adults (19 - 64) with Children	$ 2,165,438	$ 4,677,244	$ 9,404,039
Adults (19 - 64) without Children	$ -	$ -	$ -

Scenario 2 State Service Costs

(Optional with Traditional Medicaid Benefits to 138 FPL)

Scenario 2 State Share Service Costs	1/14 - 12/14	1/16 -12/16	1/23 -12/23
Children	$ -	$ -	$ -
Adults (19 - 64) with Children	$ -	$ -	$ 10,302,960
Adults (19 - 64) without Children	$ -	$ -	$ 32,920,097

Project Overview: Additional Analysis

- Detailed Analyses are provided for the following areas
  - Crowd-Out
  - Administrative costs
  - Opportunity costs
  - Uncompensated care savings
  - Public assistance savings
  - Medically needy savings
  - Estimated revenues

Administrative Costs

- Increased administrative costs were estimated for the three state agencies that have the highest administrative costs for Medicaid:
  - Department of Health $11.22
  - Department of Workforce Services $82.57
  - Department of Human Services $11.98 (children only)

- Unit costs per Medicaid enrollee were determined for each Department and applied to population estimates

Uncompensated Care

- Analysis of amount uncompensated care provided in Utah and how much of those costs are attributed to individuals who can gain coverage under the ACA
- Defined as hospital bad debt and charity care per AHA
- Total uncompensated care funding of $331M was divided by 407,000 uninsured individuals to create a unit cost of $814.14 per uninsured

Public Assistance Costs and Savings

- Behavioral Health
- Primary Care Network
- State and County Prisons and Jails
- High Risk Pool (Federal and State)

Behavioral Health Costs and Savings

- Current behavioral health services funding by the state general fund could be moved into Medicaid coverage and subject to increased FFP
- Data was collected from Division of Substance Abuse and Mental Health as Salt Lake County Division of Behavioral Health Services
- Current spending by state and counties was projected into future years and compared to spending under expanded Medicaid
- Savings are modeled in years with increased federal participation but costs are anticipated once federal spending decreases
- By 2023 state and county government spending is projected to increase by $14.5M

Behavioral Health Costs and Savings

Behavorial Health Summary Chart			
Year	**2014**	**2016**	**2023**
Estimated State Mental Health Costs/(Savings)	$ (3,681,975.72)	$ (2,898,600.80)	$ 8,102,677.95
Estimated State Substance Use Disorder Costs/(Savings)	$ (7,772,220.72)	$ (6,882,419.69)	$ (1,278,949.27)
Estimated State Behavioral Health Costs/(Savings)	$ (11,454,196.44)	$ (9,781,020.49)	$ 6,823,728.68
Estimated County Mental Health Costs/(Savings)	$ (2,664,561.53)	$ (1,095,608.22)	$ 8,237,596.58
Estimated County Substance Use Disorder Costs/(Savings)	$ (3,408,127.39)	$ (3,073,234.01)	$ (560,820.67)
Estimated County Behavioral Health Costs/(Savings)	$ (6,072,688.91)	$ (4,168,842.23)	$ 7,676,775.91
Estimated Total Behavioral Health Costs/(Savings)	**$ (17,526,885.36)**	**$ (13,949,862.73)**	**$ 14,500,504.58**

Primary Care Network (PCN)

- Waiver program that provides primary care services to adults under 150 FPL who do not meet any current Medicaid eligibility criteria
- Expected to be closed under either expansion scenario
- Individuals on PCN would be considered newly eligible and receive enhanced FFP
- Population is included in optional expansion scenarios
- Costs to cover this population under expansion is limited to state Medicaid share

Primary Care Network (PCN)

Year	1/14 - 12/14	1/16 -12/16	1/23 -12/23
PCN Enrollment Estimate	18,314	17,968	16,754
PCN PMPM Estimate	$89.06	$91.75	$101.83
Total Cost Estimate	$19,571,872	$19,781,776	$20,472,173
Enrollee Premium	$618,047.54	$643,016.66	$738,624.02
Federal Cost Estimate	$13,680,871	$13,814,356	$14,243,676
State Cost Estimate	$5,891,002	$5,967,419	$6,228,497

State and County Prisons and Jails

- Inmates who leave institutions for inpatient stays longer than 24 hours are eligible for Medicaid claiming
- Inmates will be largely newly eligible (assumed 90% newly eligible) for Medicaid and subject to increased FFP
- Data was received from Department of Corrections and Salt Lake County

State and County Prisons and Jails

Year	2014	2016	2023
Jails Inmate Inpatient Hospital Admission Projections			
Projected Inpatients	98	108	140
Per Member Per Year	$ 17,855.83	$ 17,855.83	$ 17,855.83
FFP under Expansion	100%	100%	90%
Federal Contribution	$ 1,570,700.10	$ 1,731,343.45	$ 2,026,888.71
State Contribution	$ -	$ -	$ 225,209.86
Currently Medicaid claiming 8.49% of total costs	8.49%	8.49%	8.49%
Current state share (minus Medicaid and County share) (no expansion)	$ 624,458.03	$ 688,324.48	$ 895,359.36
Current County Share (no expansion)	$ 888,340.63	$ 979,195.67	$ 1,273,719.06
State Savings	**$ 624,458.03**	**$ 688,324.48**	**$ 797,521.41**
County Savings	**$ 888,340.63**	**$ 979,195.67**	**$ 1,146,347.16**

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State and County Prisons and Jails

Year	2014	2016	2023
Prisons Inmate Inpatient Hospital Admission Projections			
Projected Inpatients	181	199	259
Per Member Per Year	$ 18,696.44	$ 18,696.44	$ 18,696.44
FFP under Expansion	100%	100%	90%
Federal Contribution with Expansion	$ 3,045,295.37	$ 3,356,752.95	$ 3,929,760.23
State Contribution with Expansion	$ -	$ -	$ 436,640.03
FFP (no expansion)	0.00%	0.00%	0.00%
State Contribution (no expansion)	$ 3,045,295.37	$ 3,356,752.95	$ 4,366,400.26
State Savings	**$ 3,045,295.37**	**$ 3,356,752.95**	**$ 3,929,760.23**

High Risk Pools

- The ACA provides changes to insurance pools via rating rule changes that eliminate the need for a high risk pool
- The current state high risk pool is not funded by Medicaid, thus Medicaid will not experience any savings from the elimination of the program
- Individuals are modeled to enroll in Medicaid under expansion
- Medicaid will accrue costs; state government is projected to gain overall savings due to increased FFP for individuals in Medicaid verses the cost of funding the high risk pool

High Risk Pools

Enrollment	2014	2016	2023
High Risk Pool to 138% FPL			
HIP Utah Projected Population	915	1,008	1,312
Federal HIP Utah Projected Population	500	551	717
HIP Utah Per Member Per Year	$9,672	$9,672	$9,672
Federal HIP Utah Per Member Per Year	$37,800	$37,800	$37,800
Additional Costs to Medicaid	**0**	**0**	**$ 3,978,040.90**
Net Savings under expansion to State	**$ 3,013,767.40**	**$ 3,322,000.46**	**$ 343,153.98**

Medically Needy

- Serves individuals who meet Medicaid eligibility requirements but have more monthly income than Medicaid allows
- Some on the program will be newly eligible for Medicaid if the state undertakes expansion
- Medicaid will provide coverage to these people but have to forgo the money the they previously paid into Medicaid to receive coverage
- ACA eligible individuals are assumed to be part of the optional expansion and their costs are captured there
- Utah Medicaid will forgo the “spend down” these people pay into Medicaid, estimated at $700,000 a year for full expansion and $283,000 yearly for expansion to 100 FPL

Estimated Revenues

- Estimated the potential economic impacts of Medicaid expansion in the state of Utah using the IMPLAN 3.0 model
- IMPLAN is an input-output model used to examine the impact of changes within a given economy given modeled events
- Modeled 5 separate scenarios in the IMPLAN model and received outputs in terms of added employment, labor income, GSP and tax revenues
- Focused on additional revenue coming into the economy and savings to the state were removed from the additional revenue totals
- Total net revenues to the state are split across IMPLAN input sectors based on 2011 Utah Medicaid Spending percentages

Estimate Revenues

- Total Revenues by Scenario Across All Industries

Totals Across all Industries				
Scenario	Year	Employment	Labor Income	Value Added (GSP)
Scenario 1	2014	343	$ 15,199,628.00	$ 20,376,366.00
	2016	564	$ 25,860,203.00	$ 34,664,947.00
	2023	802	$ 41,308,578.00	$ 55,388,003.00
Scenario 2	2014	1,757	$ 77,527,180.00	$ 104,029,418.00
	2016	3,552	$ 162,127,446.00	$ 217,558,436.00
	2023	4,160	$ 213,580,938.00	$ 286,615,690.00
Scenario 3	2014	1,028	$ 45,475,455.00	$ 60,978,633.00
	2016	2,264	$ 103,521,059.00	$ 138,840,238.00
	2023	3,151	$ 161,968,115.00	$ 217,290,812.00
Scenario 4	2014	579	$ 25,594,558.00	$ 34,328,015.00
	2016	1,172	$ 53,571,470.00	$ 71,855,531.00
	2023	1,475	$ 75,833,597.00	$ 101,731,265.00
Scenario 5	2014	361	$ 15,999,214.00	$ 21,439,876.00
	2016	796	$ 36,492,736.00	$ 48,915,929.00
	2023	1,200	$ 61,734,903.00	$ 82,794,300.00

Estimated Revenues

- Tax revenues across state, local and federal entities

Scenarios	State Tax	Local Tax	Federal Tax	Total
Scenario 1 2014	$802,466	$633,436	$2,656,369	**$4,092,271**
Scenario 1 2016	$1,364,717	$1,076,764	$4,519,448	**$6,960,929**
Scenario 1 2023	$2,183,636	$1,726,087	$7,219,225	**$11,128,948**
Scenario 2 2014	$4,115,585	$3,268,271	$13,549,128	**$20,932,984**
Scenario 2 2016	$8,609,102	$6,838,821	$28,334,273	**$43,782,196**
Scenario 2 2023	$11,345,274	$9,015,849	$37,326,249	**$57,687,372**
Scenario 3 2014	$2,404,339	$1,900,899	$7,838,931	**$12,144,169**
Scenario 3 2016	$5,479,901	$4,338,252	$18,091,860	**$27,910,013**
Scenario 3 2023	$8,589,141	$6,813,085	$28,306,154	**$43,708,380**
Scenario 4 2014	$1,355,041	$1,072,898	$4,473,054	**$6,900,993**
Scenario 4 2016	$2,837,338	$2,247,546	$9,362,422	**$14,447,306**
Scenario 4 2023	$4,020,415	$3,188,187	$13,252,962	**$20,461,564**
Scenario 5 2014	$842,745	$663,549	$2,796,103	**$4,302,397**
Scenario 5 2016	$1,925,445	$1,518,846	$6,377,637	**$9,821,928**
Scenario 5 2023	$3,267,540.88	$2,586,473	$10,789,008	**$16,643,022**

Results Summary

Total Cost/(Savings) to State and County Government for Mandatory Expansion Added to Optional Expansion Scenarios				
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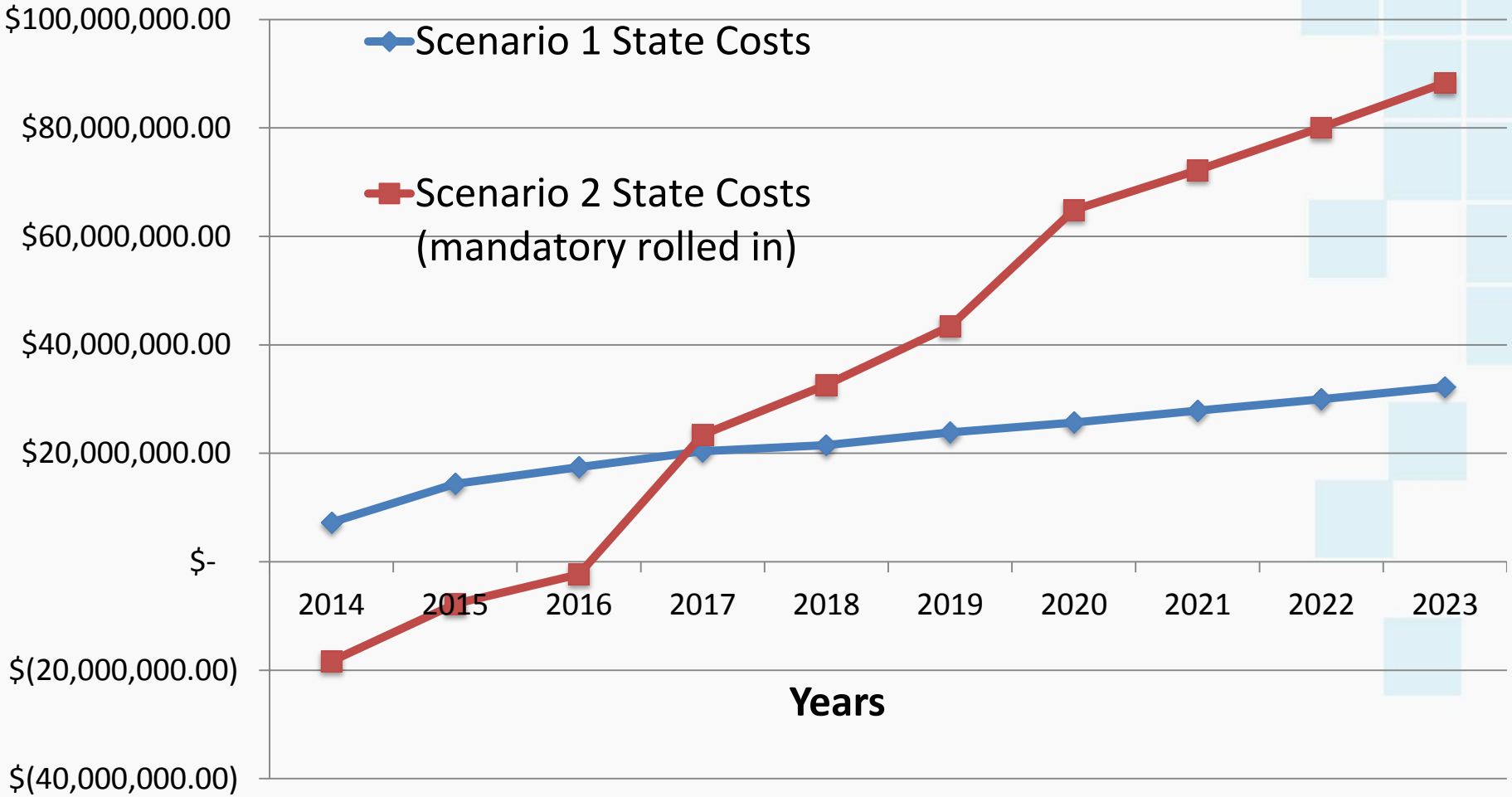
Summary Graph – Comparison of Scenario 1 and Scenario 2



Net Costs / (Savings) to State

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Questions?

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