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HEALTH CARE AND HUMAN SERVICES POLICY, RESEARCH, AND CONSULTING - **WITH REAL-WORLD PERSPECTIVE**.

Impact of Medicaid Expansion on the State of New Hampshire: Phase II

Prepared for: New Hampshire Department of Health and Human Services

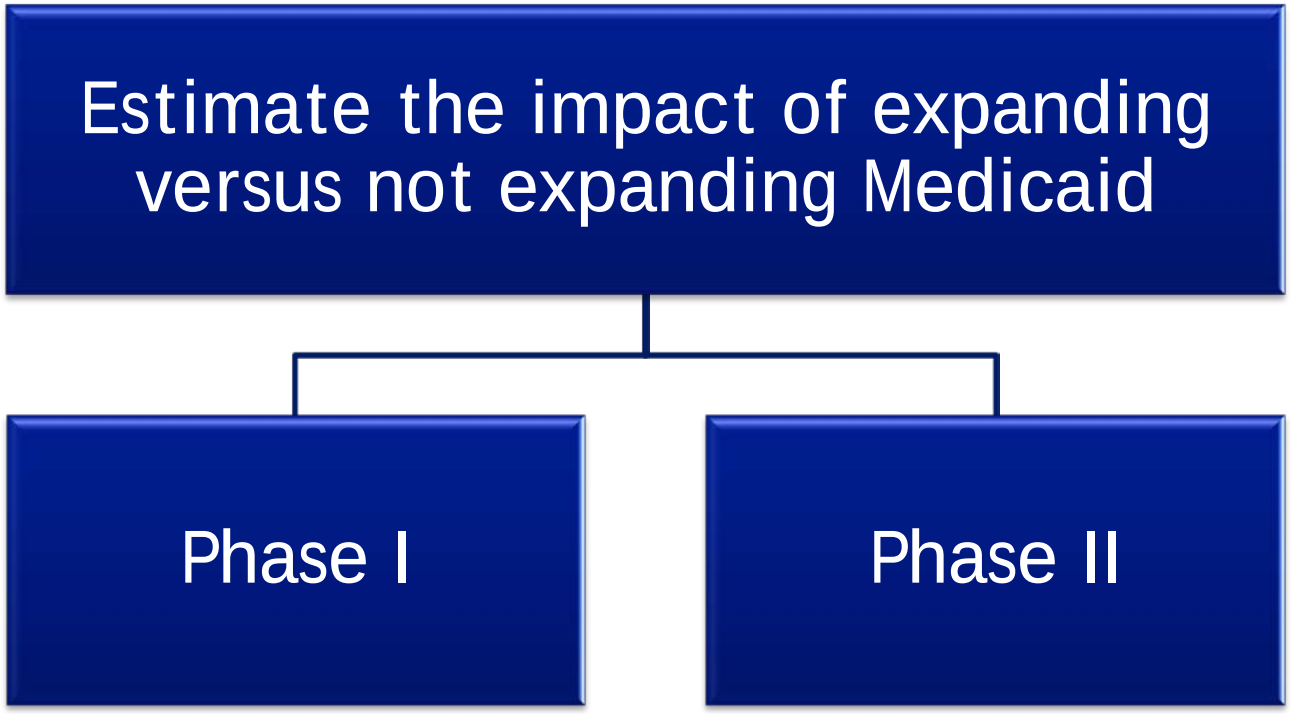
January 11, 2013

This report is funded by Health Strategies of New Hampshire, an operating foundation of the Endowment for Health with funding provided by the NH Charitable Foundation.

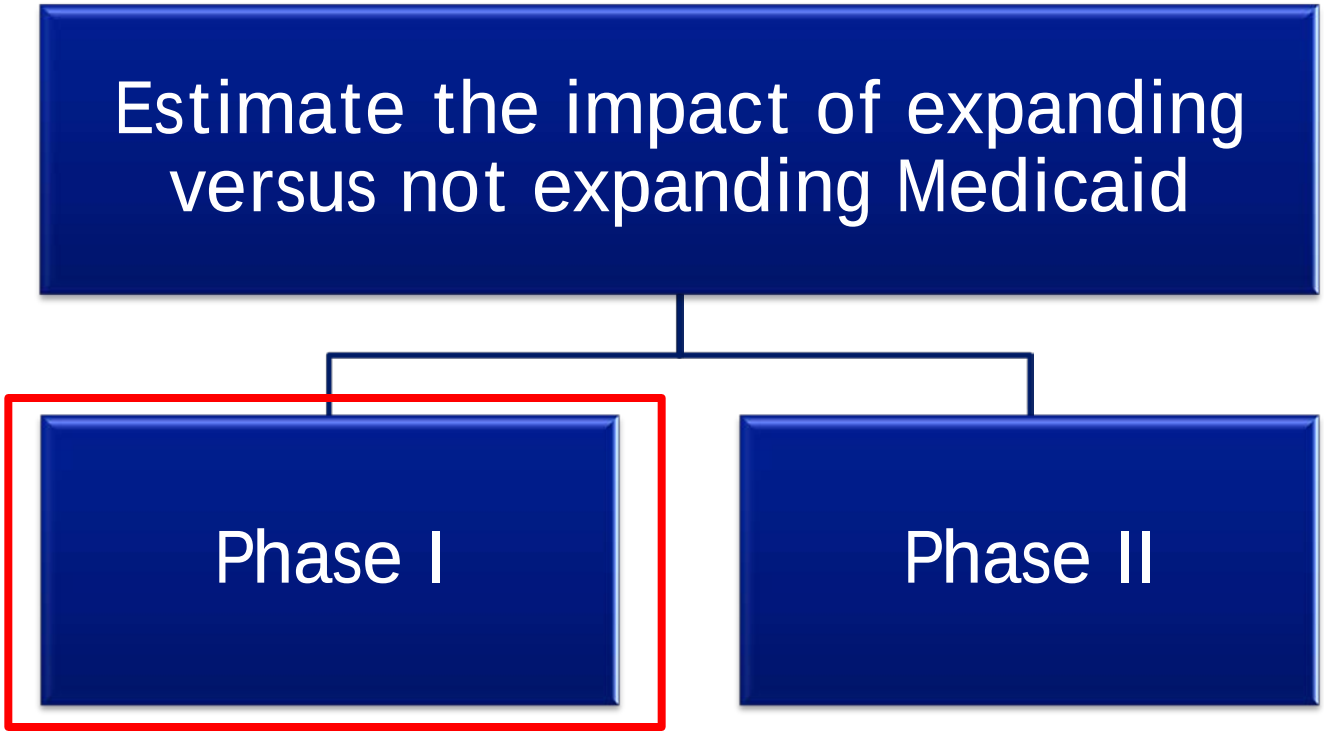
Background

- The Affordable Care Act (ACA) requires states to expand Medicaid to all adults up to 138% of FPL
- June 2012 Supreme Court decision → Medicaid expansion now optional
- Other key ACA provisions
  - Individual mandate will incentivize individuals to obtain coverage, including those eligible for Medicaid but not enrolled
  - Large employer mandate and small employer premium tax credits may incentivize some employers to offer coverage if not offered currently
  - Establishment of Health Benefit Exchange (HBE) and premium subsidies will provide alternative "affordable" options for some individuals
  - Streamlining and simplification of Medicaid enrollment processes will ease the enrollment process for Medicaid-eligibles
  - Enhanced federal funding for CHIP 2016-2019

Purpose of the Study



Not a simple yes or no decision – NH has many options to consider

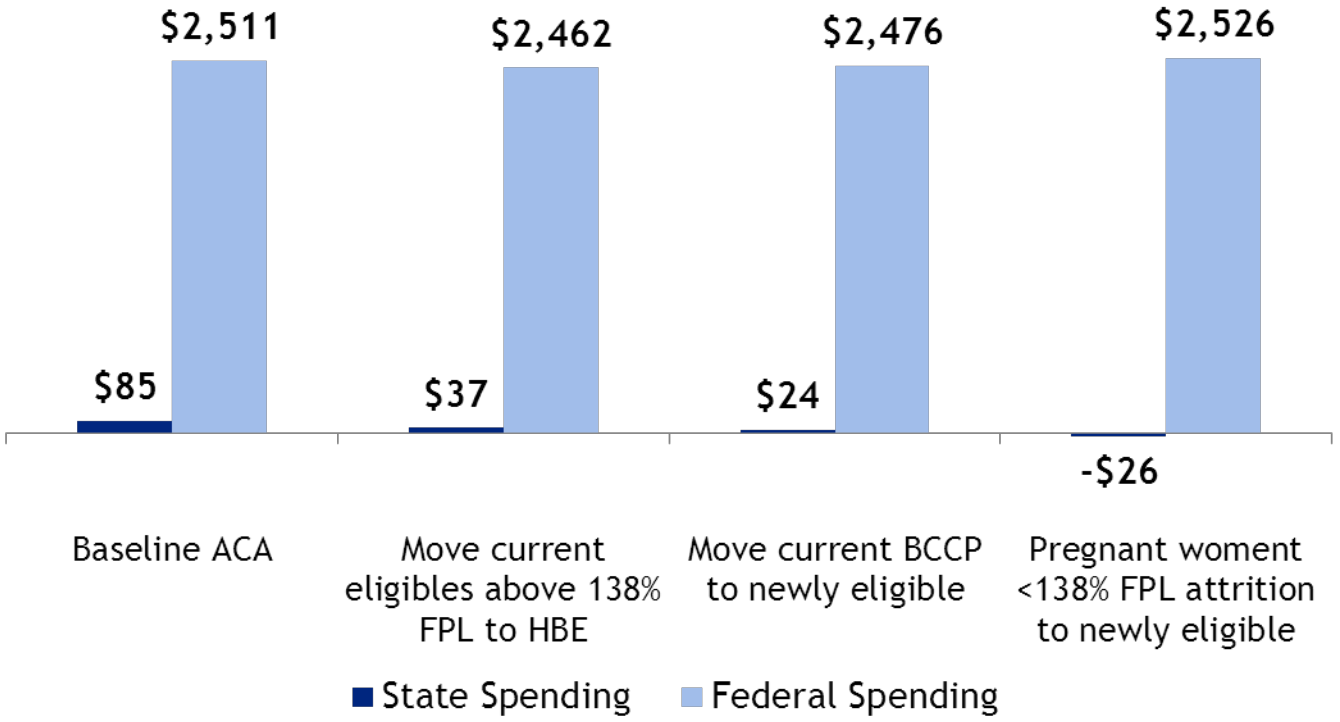

Estimate the impact of expanding versus not expanding Medicaid
Phase I
Phase II

Summary of Phase I study

- Phase I focused on implications to DHHS/Medicaid budget
- If the state does not expand Medicaid, it could reduce state Medicaid spending by $66 to $114 million over the 2014-2020 period
- Most Medicaid expansion options we examined would increase state spending with the exception of a combination of eligibility modification options
- However, expanding Medicaid would:
  - Reduce the number of uninsured in the state by an additional 22,300 people
  - Provide subsidized coverage for lowest income adults in the state, who would not have access without the expansion
  - Increase federal revenues in the state by $1.8 to $2.7 billion over 2014-2020 period

Eligibility options under ACA could reduce states costs without substantially reducing federal funding

Cumulative Cost Effects of Medicaid Expansion Eligibility Options 2014-2020 (in millions)



Summary of Phase I study

Scenario	Cost to State (2014-2020) in $1,000s	Cost to Federal Government (2014-2020) in $1,000s	Total Change in Enrollment
No Expansion:			
1. Baseline	($65,779.6)	$55,845.0	175
2. Moving Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	($113,691.4)	$7,154.1	(913)
Expansion[1/]:			
1. Baseline	$85,488.0	$2,510,922.3	62,237
2. Low-Range Participation Assumption	$38,009.2	$1,952,472.0	47,565
3. High-Range Participation Assumption	$102,333.2	$2,709,057.8	67,443
4. Managed Care Rates	$69,470.2	$2,501,073.5	62,237
5. Delay Implementation by One Year	$79,384.2	$2,158,931.0	62,237
6. Delay Implementation by Two Years	$71,165.5	$1,797,367.2	62,237
7. Move Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	$37,576.1	$2,462,231.5	61,149
8. Option 7 plus Transition Enrollees Out of Breast and Cervical Cancer Eligibility Category	$24,021.2	$2,475,786.4	61,149
9. Option 8 plus Attrition of Pregnant Women Below 138 Percent of FPL into "Newly Eligible" Category	-$26,181.6	$2,525,989.2	61,149

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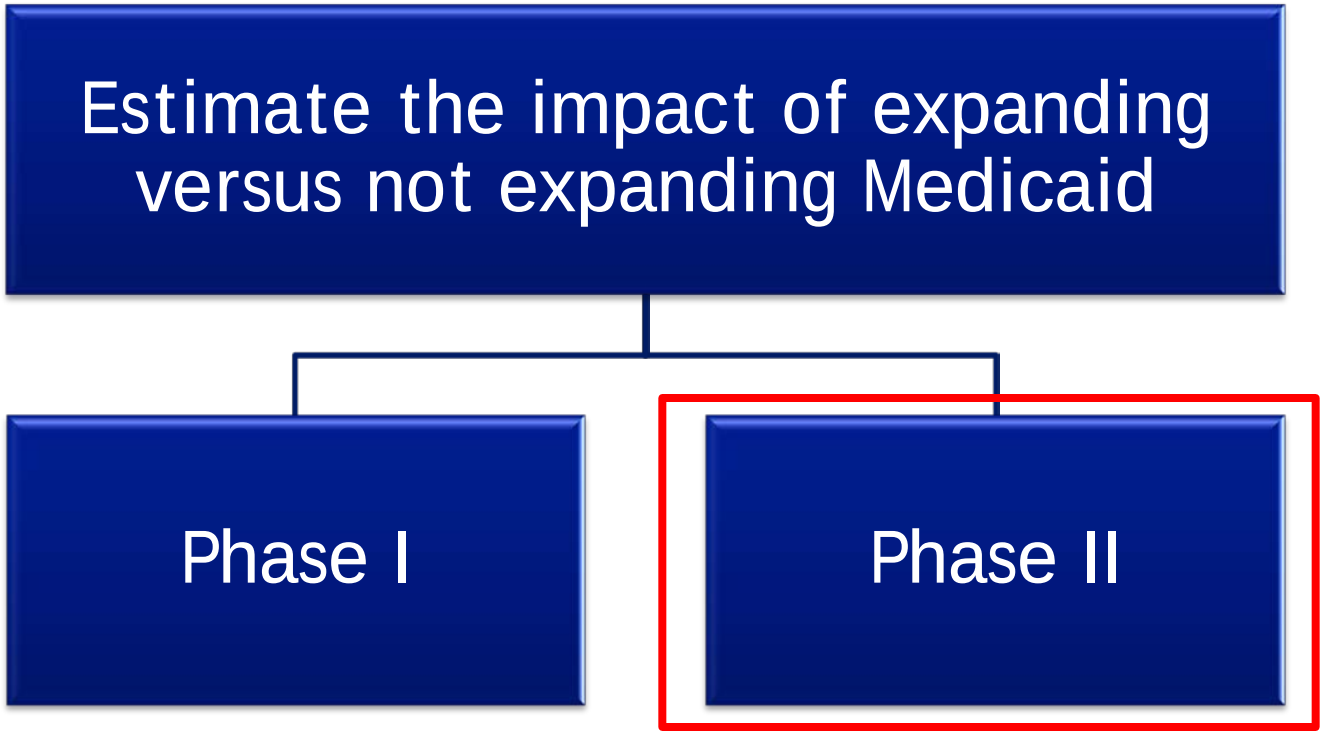
[1/]The Phase I analysis assumed that the same benefit package would be available to the expansion group. However, the Essential Health Benefits package, which is mandatory for the expansion group, includes services not presently covered under Medicaid in New Hampshire. Phase I modeling does not account for these potential differences.


Estimate the impact of expanding versus not expanding Medicaid
Phase I
Phase II

Phase II: Secondary Effects of Expanding versus not Expanding Medicaid

- Impact on other state programs (offsets)
- Impact on the uninsured
- Impact on providers
- State economic impact
- Impact on commercial market

Data and Methods

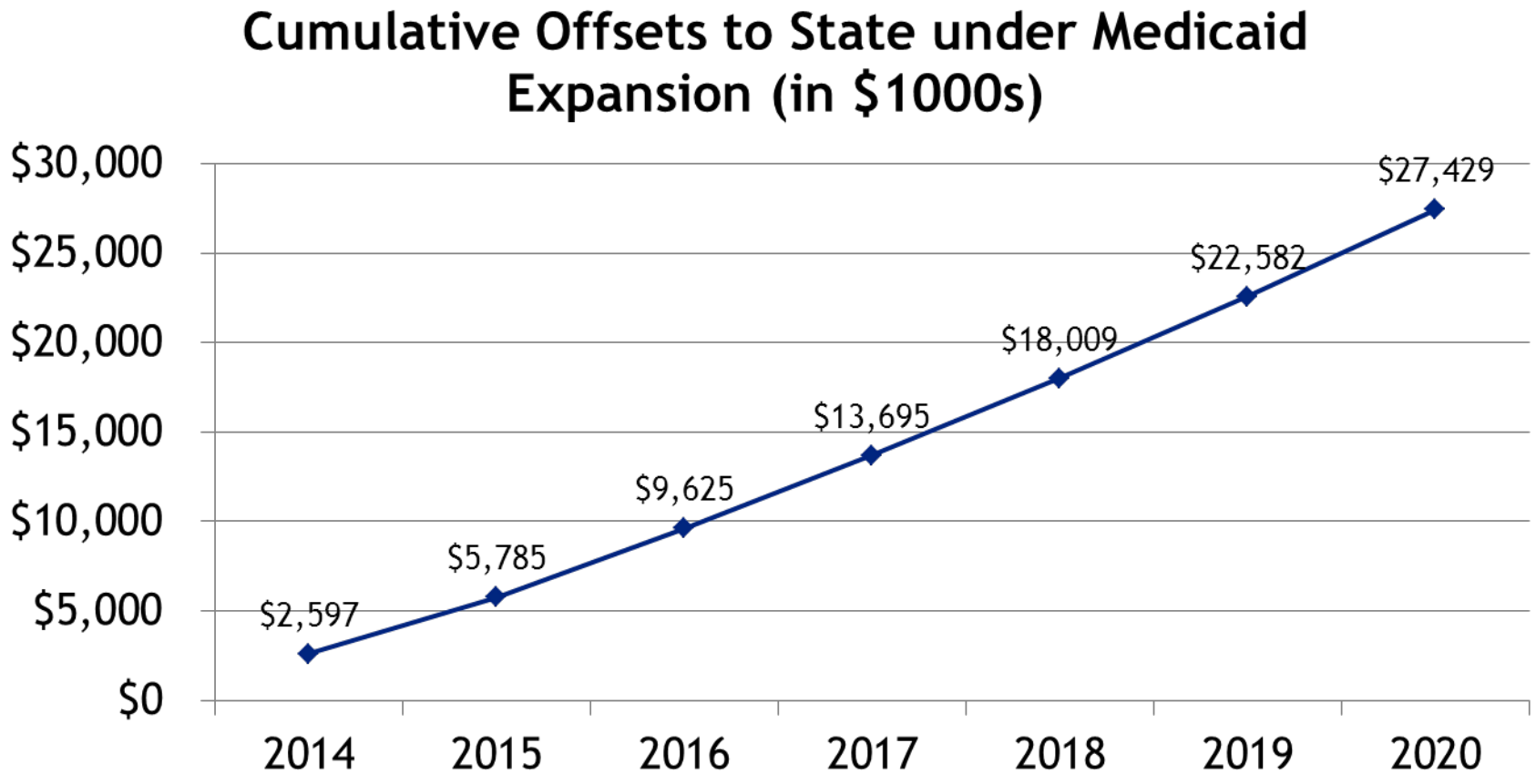
- **New Hampshire version of the Health Benefits Simulation Model (HBSM) used for estimates**
- **Data and information sources include:**
  - Uniform Data System (UDS)
  - Medical Expenditure Panel Survey (MEPS)
  - Current Population Survey (CPS)
  - New Hampshire Hospital Association
  - New Hampshire Department of Corrections
  - New Futures, Inc.
  - New Hampshire Federally Qualified Health Centers (FQHCs)
  - New Hampshire Community Mental Health Centers
  - Bi-State Primary Care Association
  - New Hampshire DHHS State Office of Rural Health
  - New Hampshire Bureau of Behavioral Health
  - New Hampshire Community Behavioral Health Association
  - New Hampshire Insurance Department
  - New Hampshire Medical Society
  - New Hampshire DHHS Division of Public Health

Phase II Summary

- Expanding or not expanding Medicaid will have impacts beyond the state's Medicaid program itself
- Expanding Medicaid will offset costs to other state programs, thus reducing the total state cost of implementing Medicaid expansion
  - Total offsets under expansion (FFS): $67.1 million (2014-2020)
  - Total state cost of expansion (baseline): $18.4 million (2014-2020)
- The ACA and Medicaid expansion will also have a measurable positive impact on the state economy at large
- Impact on the uninsured, on providers, and on the commercial market should also be considered, as the decision to expand Medicaid affects these stakeholders and subgroups in different ways

Impact on Other State Programs

About 200 state employees covered under the state's employee benefits plan could be covered under Medicaid expansion



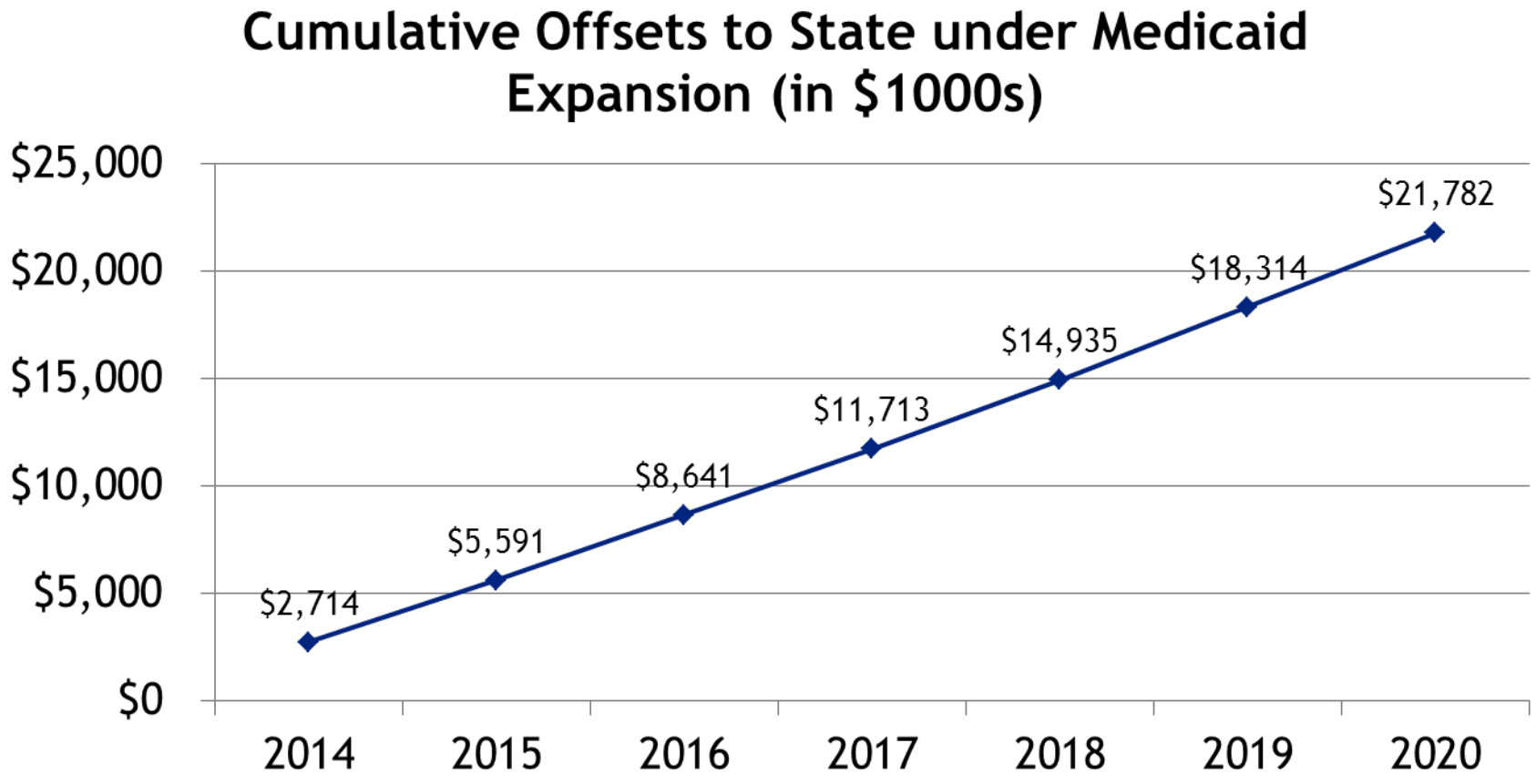
State High-Risk Pool

- New Hampshire Health Plan (NHHP) high-risk pool members will be moved to another source of coverage with or without Medicaid expansion
- Savings resulting from this move will not be solely attributable to Medicaid expansion, and thus, we do not project any high-risk pool offsets under expansion

State Corrections Department

- In 2014, inmates who leave prison for over 24 hours and are admitted for inpatient services will become eligible for Medicaid
- Most of these individuals will be newly eligible and thus receive the enhanced federal match
- We estimate this will save the Department of Corrections $21.8 million from 2014 to 2020
- Other savings may be realized through averted recidivism and imprisonment due to increased access to mental health and substance abuse services for newly eligibles

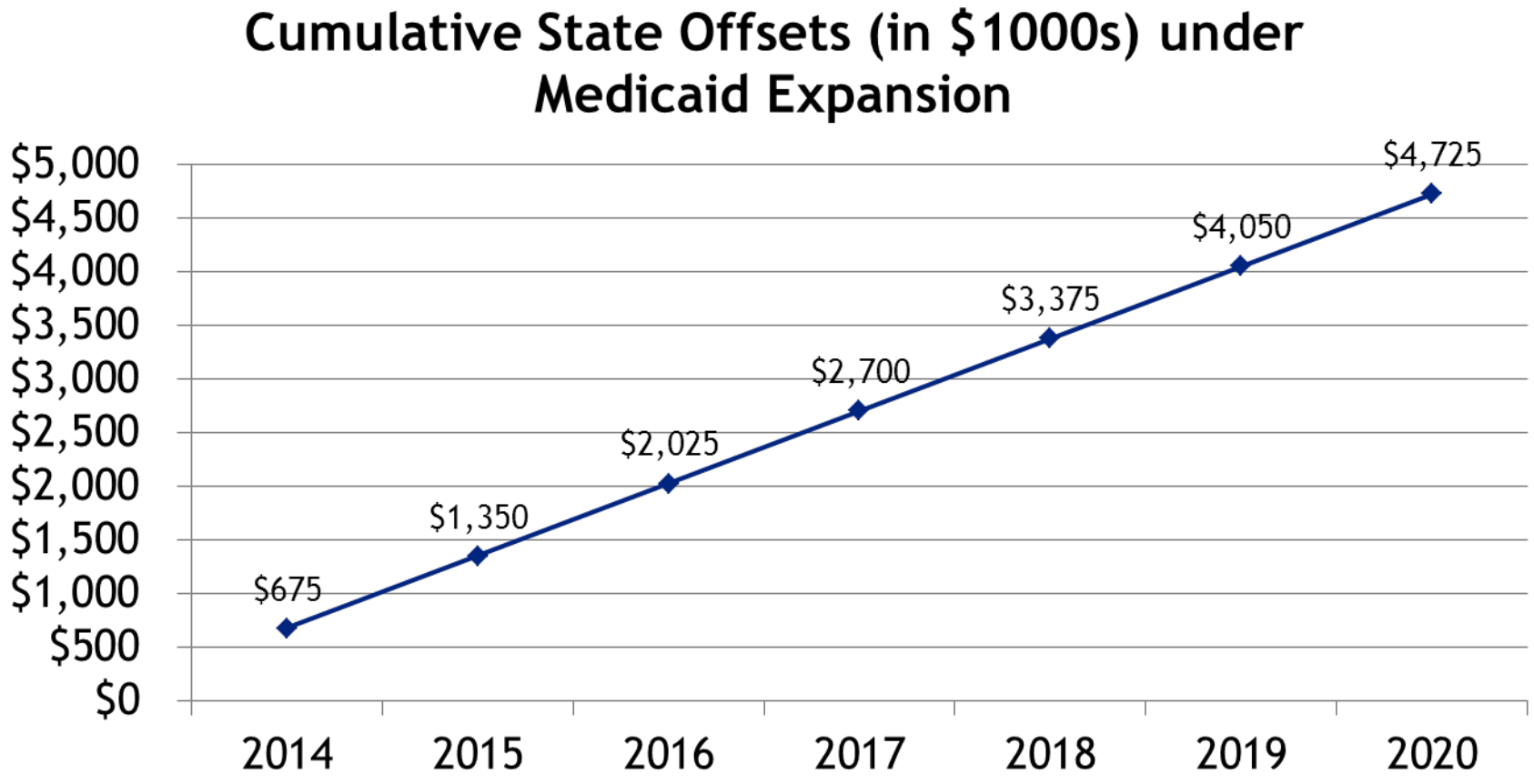
The State Corrections Department will save at least $21.8 million from 2014 to 2020 under Medicaid expansion, for inpatient services



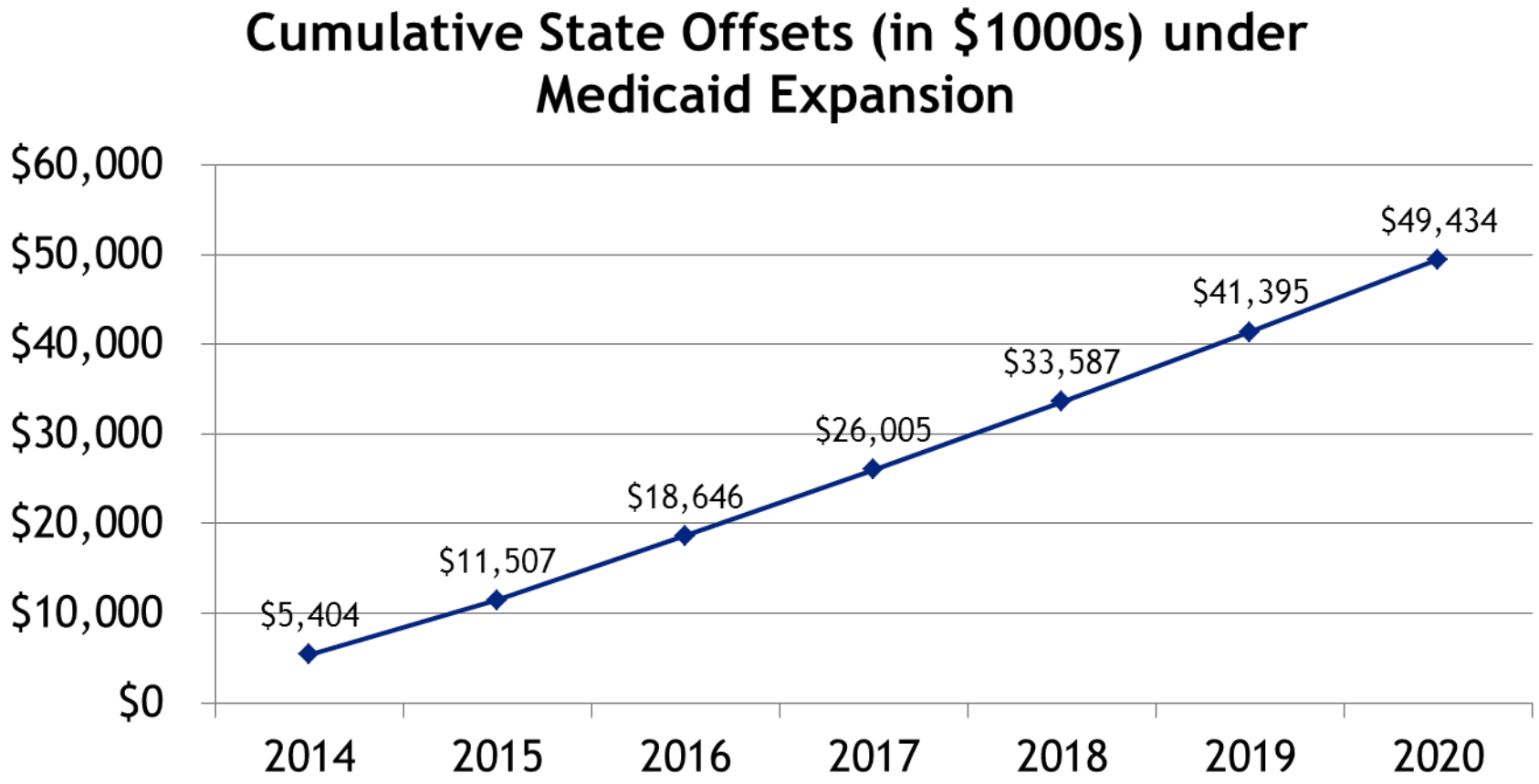
The Cypress Center

- The Cypress Center is a short-term crisis stabilization facility run by The Mental Health Center of Greater Manchester
- Annual sum of $675,000 is contributed by the state to the Cypress Center for providing indigent care to patients
- Funds provide ad hoc services at the facility and may be covered under ACA

Eliminating state spending on indigent care at the Cypress Center will save $4.7 million from 2014 to 2020 under Medicaid expansion



Under managed care, the premium assessment would result in $49.4 million in state offsets from 2014 to 2020 under Medicaid expansion



Offsets within other state programs due to Medicaid expansion total $67.1 million from 2014 to 2020

Summary of Total Offsets within Other State Programs Due to Medicaid Expansion, in $1,000s (2014-2020)

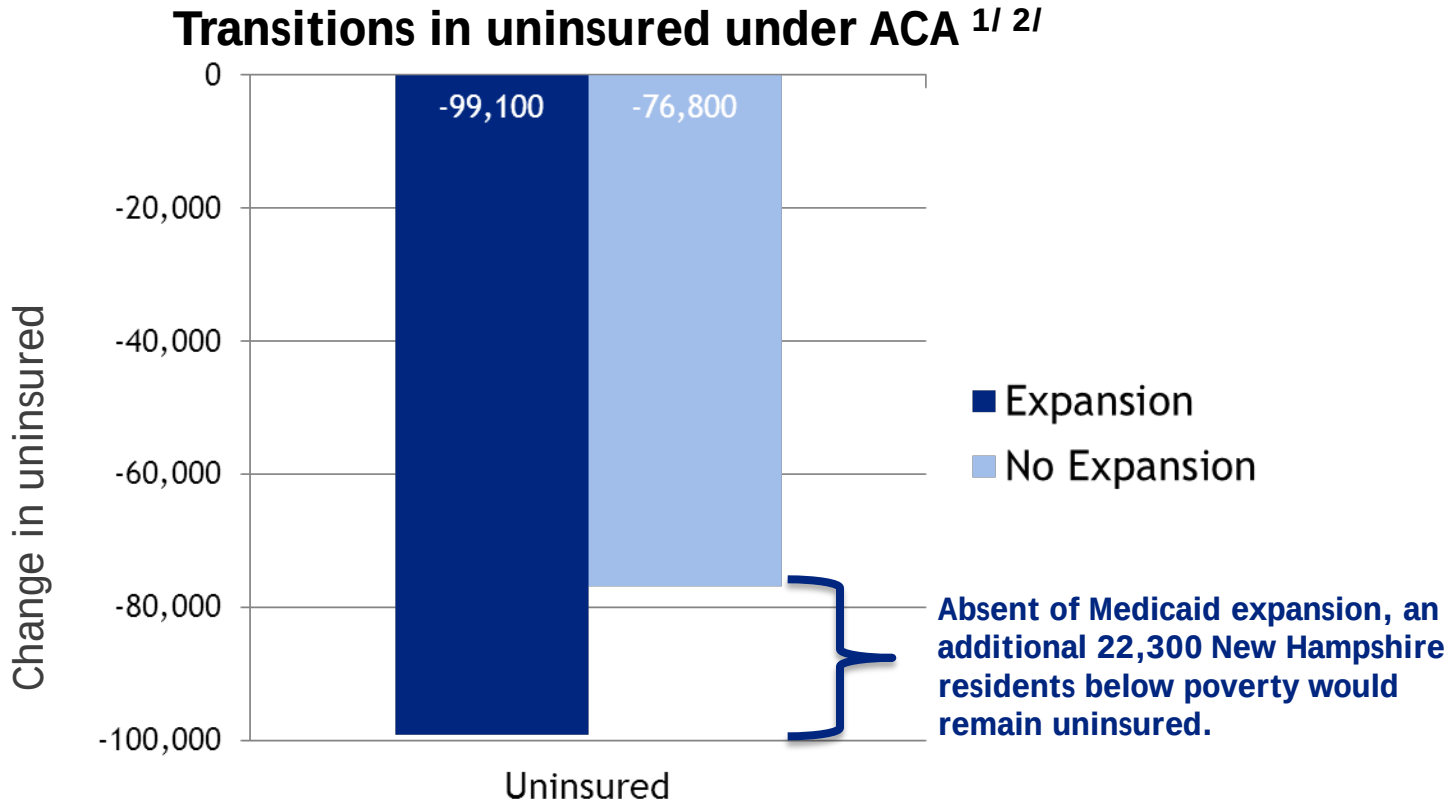
	Total Offset
State Employee Health Benefits	$27,429
State High Risk Pool	$0
State Corrections Department	$21,782
State Funding for Cypress Center	$4,725
Increased State Revenue[2/]	$13,200
Total Offsets Under FFS[1/]	$67,136

1/ If expansion is implemented under a managed care program, a Premium Assessment tax totaling $49.4 million from 2014 to 2020 would be paid to the Dept. of Insurance, which is self-funded; this would not be a direct offset to DHHS under the current statutory contract

2/ See "State Economic Impact" section for detailed analysis and explanation

Impact on the Uninsured

Medicaid expansion would cover an additional 22,300 people below poverty, who would otherwise be uninsured without Medicaid expansion



1/ Assumes all ACA provisions are fully implemented and reach ultimate enrollment in 2014.
2/ Without Medicaid expansion assumes subsidized coverage in the Exchange is available for families between 100% and 400% of FPL.

Under Medicaid expansion, the reduction in number of uninsured will vary by geographic area

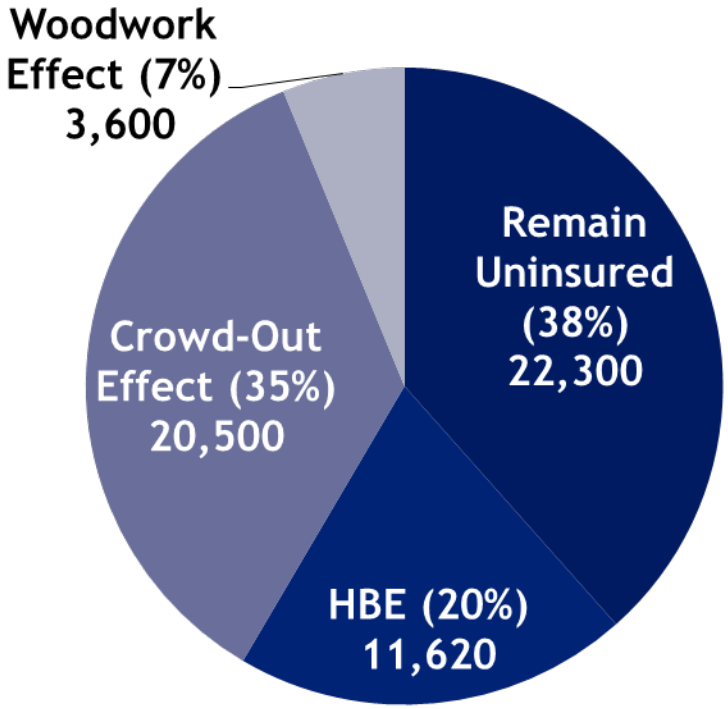
Change in the Number of Uninsured Coverage under the ACA in New Hampshire [1/]

		Change in Uninsured Post ACA	
County	Number Uninsured Pre-ACA	With Medicaid Expansion	Without Medicaid Expansion
Belknap County	8,232	-4,856	-3,715
Carroll County	7,410	-4,371	-3,344
Merrimack County	16,962	-10,007	-7,655
Cheshire County	13,386	-8,572	-6,579
Sullivan County	7,540	-4,828	-3,705
Coos County	6,500	-4,198	-3,294
Grafton County	14,301	-9,237	-7,247
Hillsborough County	48,270	-26,272	-20,851
Rockingham County	33,814	-18,404	-14,606
Strafford County	13,901	-8,340	-5,800
Total	170,315	-99,085	-76,798

1/ Assumes all provisions of the ACA are fully implemented in 2014.
Source: Lewin Group estimates using the Health Benefits Simulation Model (HBSM)

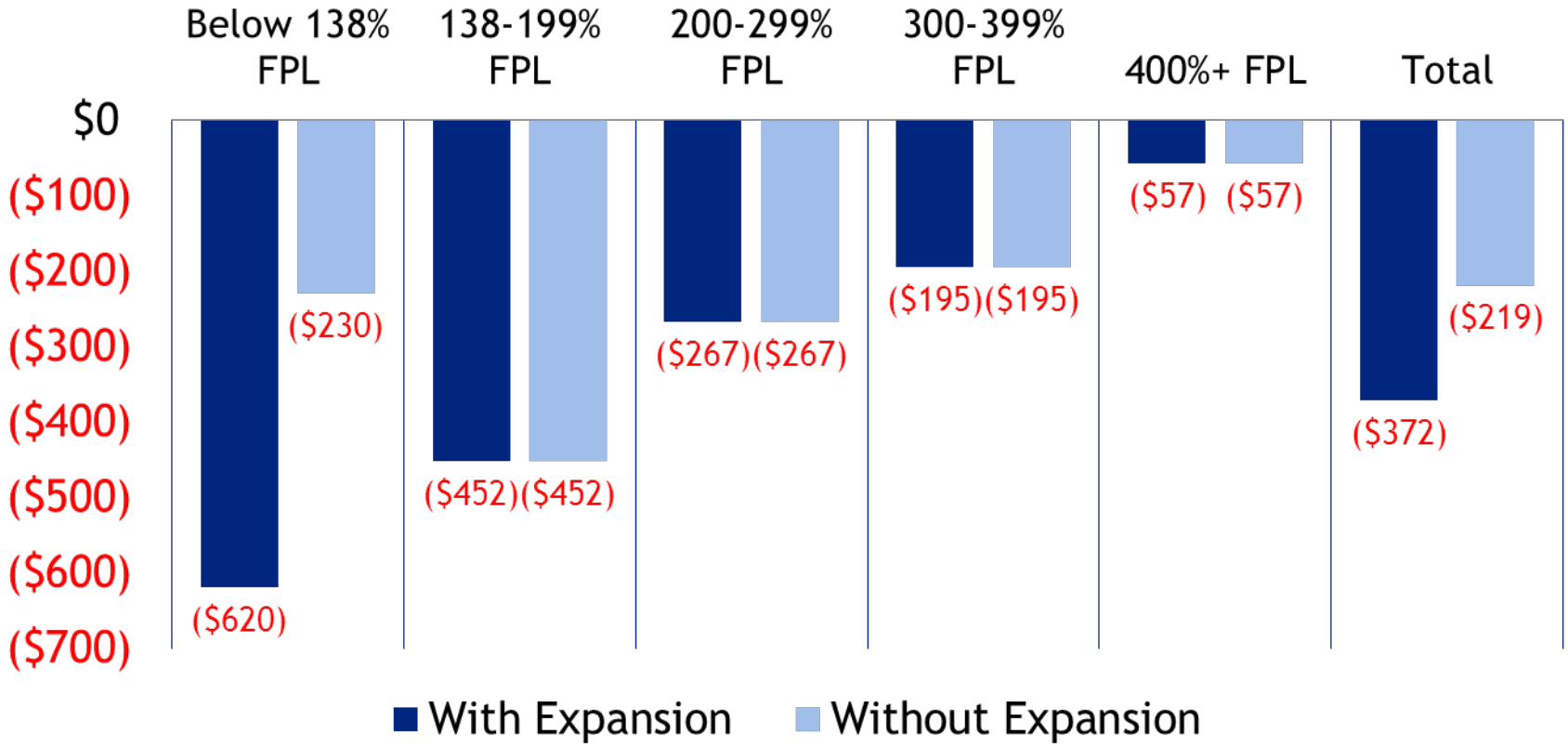
Absent of Medicaid expansion, 38 percent of those covered under expansion would remain uninsured, 35 percent would remain under private coverage, and 20 percent would go into the HBE

Insurance Status of the 58,000 Individuals Who Would Enroll under Medicaid Expansion, in the Absence of Expansion (2014-2020)



Out-of-pocket health spending for uninsured will be reduced by $372 under expansion and $219 under no expansion, on average, in 2014

Change in Out-of-Pocket Health Spending for Uninsured in New Hampshire in 2014 [1]



1/ Assumes all provisions of the ACA are fully implemented in 2014.
Source: Lewin Group estimates using the Health Benefits Simulation Model (HBSM)

Medicaid expansion will have a limited impact on medically-related bankruptcy filings

- In 2011, an estimated 667 uninsured New Hampshire residents had medically-related bankruptcy filings
- Based on income data, most of these individuals would receive subsidies in the Exchange, while some will enroll in Medicaid under expansion
- A 2008 Oregon health insurance experiment suggests that those who become newly eligible for Medicaid under expansion will not see statistically significant reductions in bankruptcy filings, but may see reductions in unpaid bills sent to collections

Impact on Providers

Disproportionate Hospital Share (DSH) reductions

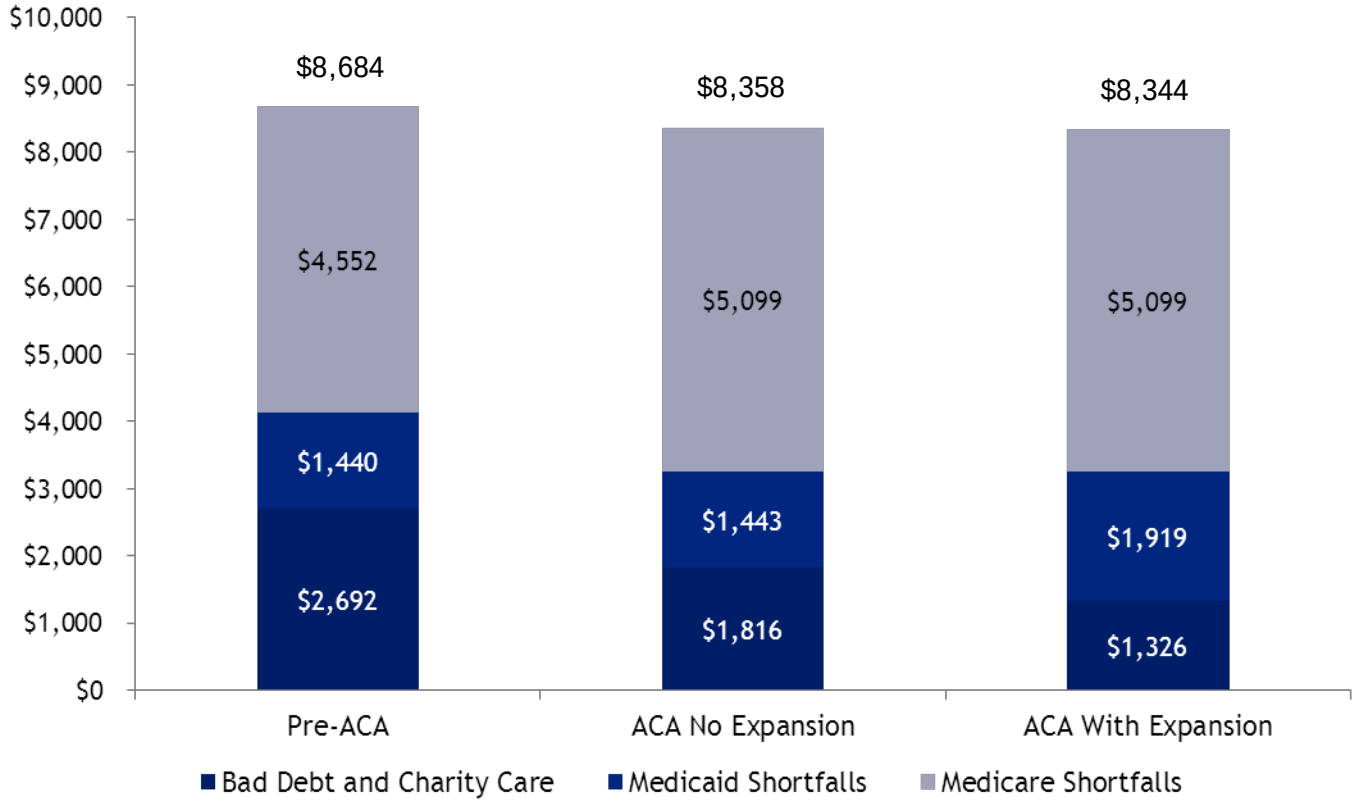
- The maximum annual amount of federal matching funds available to NH was capped at $160.3 million in 2011, but $109 million is left unspent
- ACA reduces federal funding for the Medicaid DSH program beginning in 2014 whether or not state expands Medicaid
- DSH reduction methodology currently being developed by federal government

Impact of ACA on Medicaid DSH Payments

- By 2020, we estimate NH Medicaid Hospital and Institute for Mental Disease DSH payments will total $101.9 million, $50.9 million of which will be federal funds
- Assuming NH received "average" DSH cuts, we estimate NH DSH allotment to drop to $92.0 million in 2020
- However, the state will be $41.0 million under the allotment and thus ACA DSH cuts will not affect NH Medicaid DSH payments to NH hospitals under current methodology

Health systems in NH could see uncompensated care reduced by about $340 million (4 percent) under ACA with or without expansion

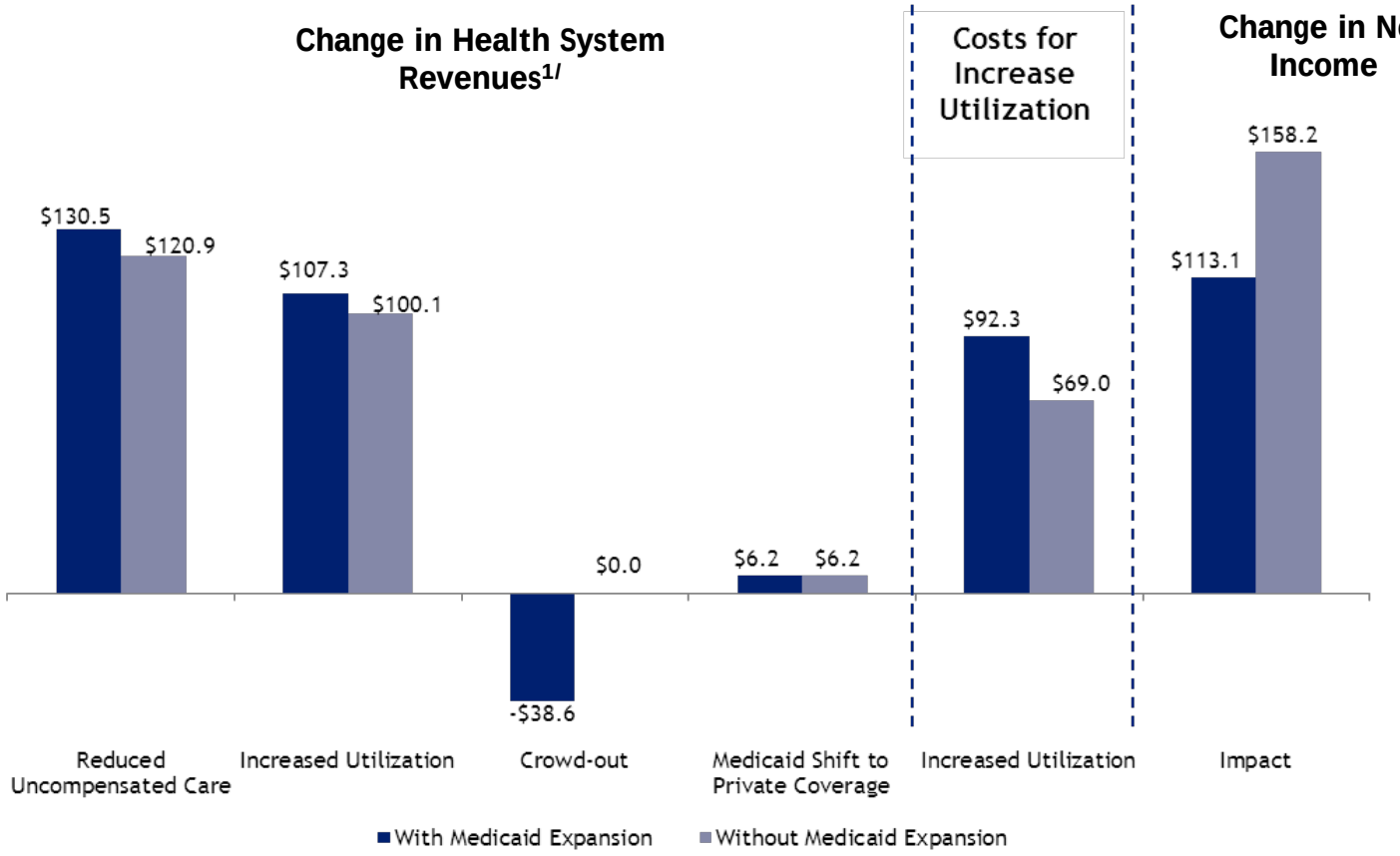
Total Uncompensated Care for New Hampshire Health System under the ACA With and Without The Medicaid Expansion 2014-2020, in millions



Source: Lewin Group analysis using the New Hampshire version of the Health Benefits Simulation Model (HBSM).

Overall, health systems would see an increase in net income of $113 million under expansion, compared to $158 million under no expansion

Impact on New Hampshire Health System Revenues under the ACA With and Without the Medicaid Expansion (in 2011 dollars)



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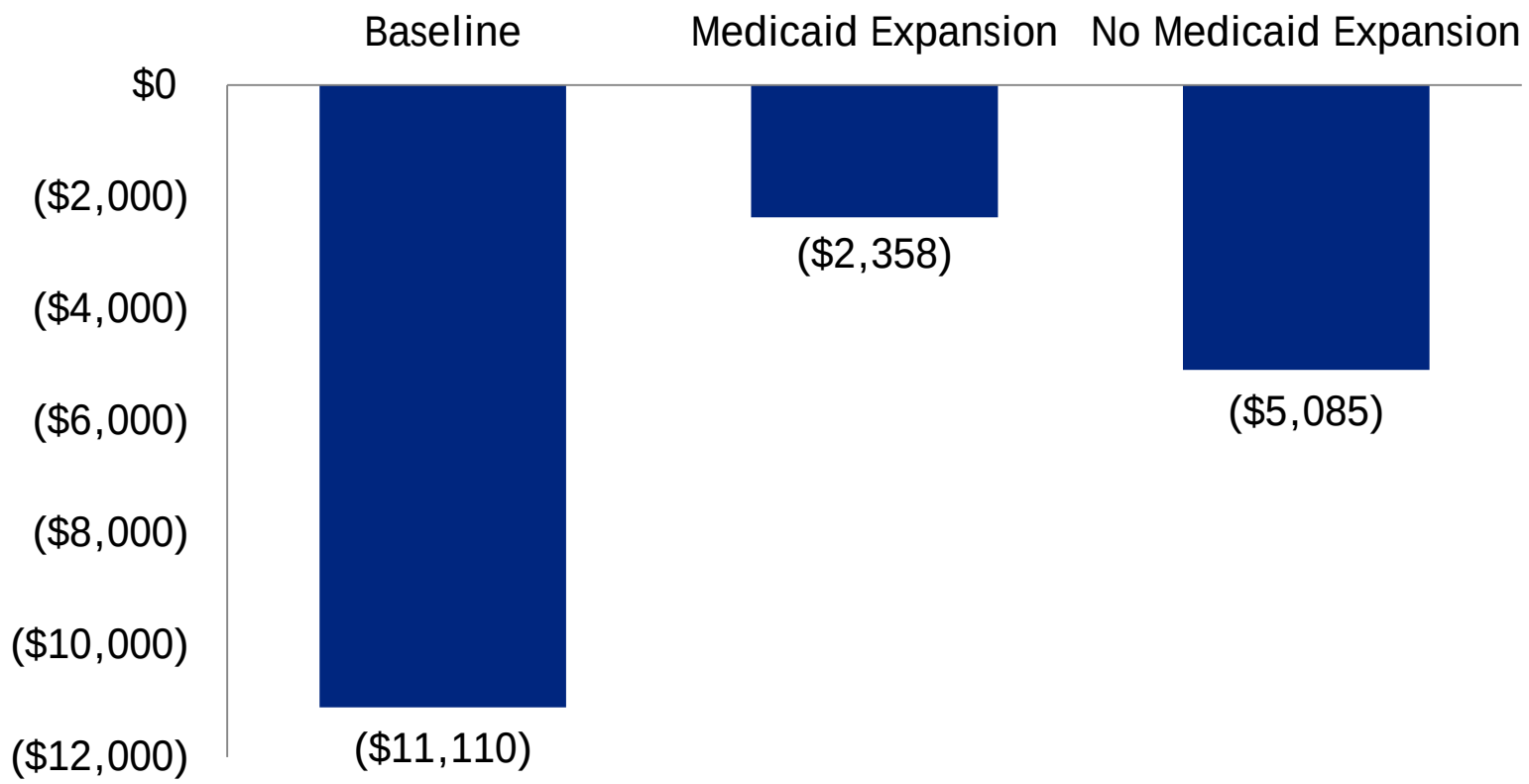
1/ These finding assume the DSH program will continue through 2020 as it is currently constructed

Institutions for Mental Disease will not be affected by ACA DSH reductions

- The New Hampshire Hospital received $9.2 million in DSH payments in SFY2012, which represents 16 percent of its expenses
- ACA DSH reductions will not affect DHS payments in NH and thus, no additional state funds will be required to cover costs of NH Hospital due to DSH reductions in ACA

Under expansion, FQHCs would see uncompensated care reduced by nearly $9 million, to $2.4 million

FQHC uncompensated care from uninsured recipients with and without Medicaid Expansion in 2011 ($1000s)



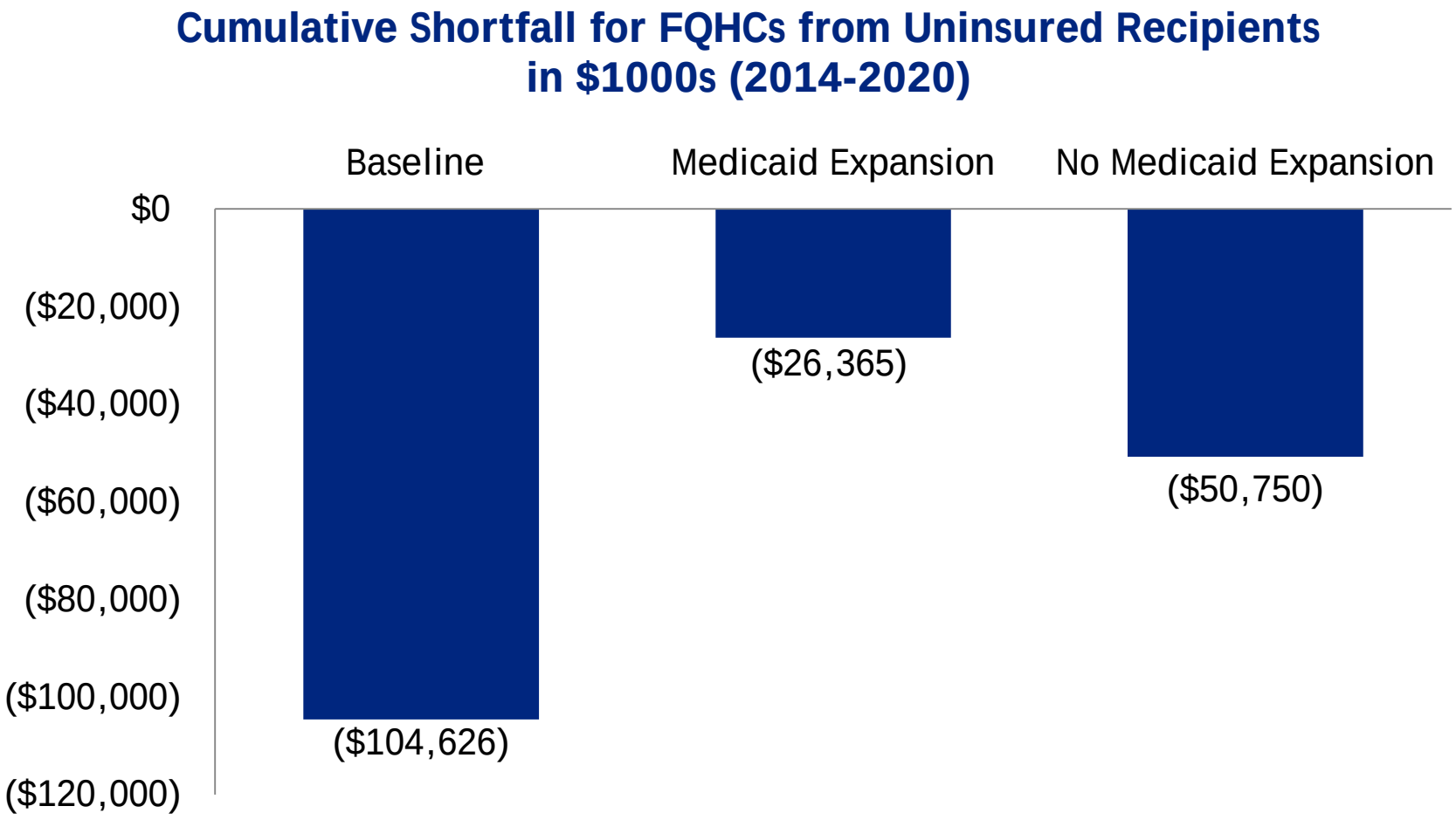
FQHC losses for patient care would drop from $21.6 million to $16.7 million under the ACA with the Medicaid expansion compared to $19.5 million without the expansion

Revenues, Costs and Shortfalls for FQHCs from All Payers with and without Medicaid Expansion in 2011

	Total Cost	Revenue	Shortfall
Pre-ACA	$47,514,259	$26,345,914	$21,168,345
ACA with Medicaid Expansion	$55,347,874	$38,609,318	$16,738,556
ACA without Medicaid Expansion	$52,924,012	$33,447,093	$19,476,919

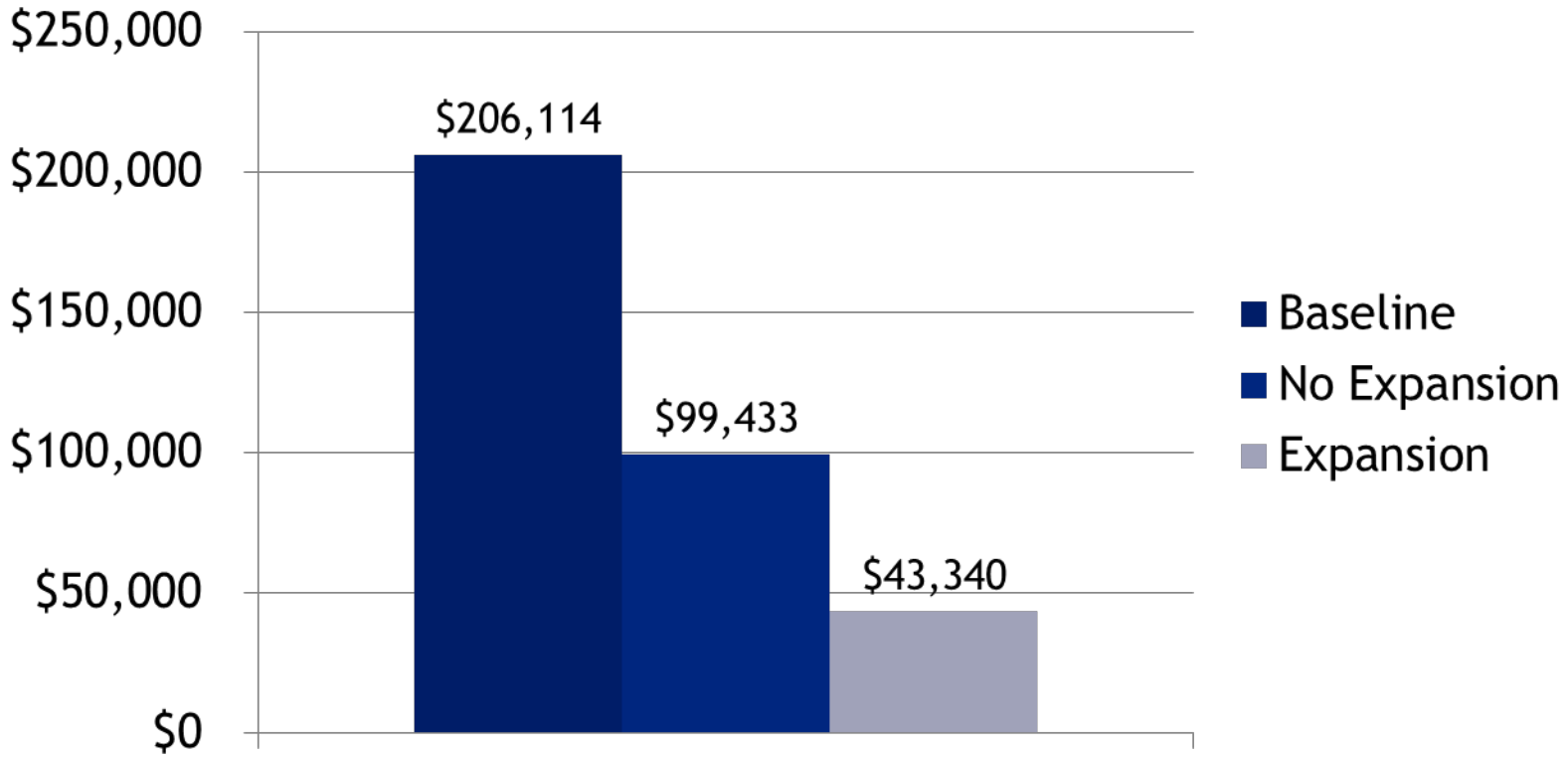
1/ Assumes all provisions of the ACA are fully implemented and impacts illustrated in 2011 dollars.
Source: Lewin Group estimates using the Health Benefits Simulation Model (HBSM) and 2011 UDS data.

Total annual and cumulative shortfalls over the 2014 to 2020 period will be substantially lower under expansion versus no expansion



Under Medicaid expansion, Community Mental Health Centers (CMHCs) may see a $162.8 million reduction in uncompensated care during the 2014 to 2020 period

CMHC Uncompensated Care ($1000s), 2014 to 2020



Impact on State Economy

For hospitals, providers will gain lesser revenue under expansion, while physician, clinic, and pharmacy providers will see greater gains under Medicaid expansion

Difference in Provider Revenue, by Sector (2014-2020) (in millions) [1/]

	Change in Provider Payments with Medicaid Expansion	Change in Provider Payments without Medicaid Expansion	Difference in Provider Revenue with and without the Medicaid Expansion
Hospital[1/]	$1,193	$1,421	($228)
Physicians/Clinics	$1,611	$1,405	$206
Drugs	$696	$516	$181
Total	$3,500	$3,341	$158

1/Based on the Lewin Group's analysis of hospitals and health systems

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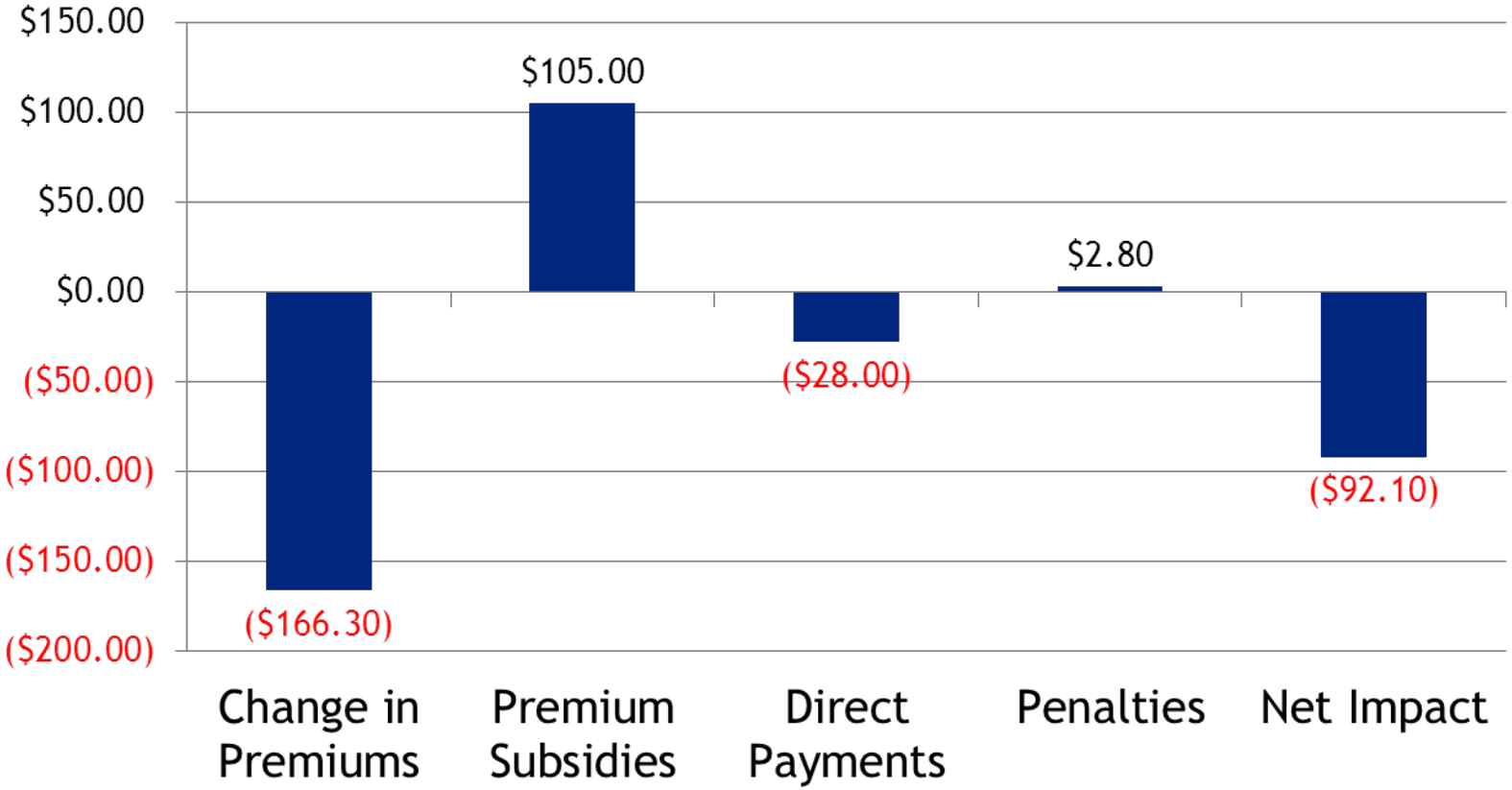
Under expansion, households would save a net of $92 million from 2014 to 2020, compared to no expansion

Impact of Medicaid Expansion versus no Expansion on Household Health Spending 2014-2020 (in millions)



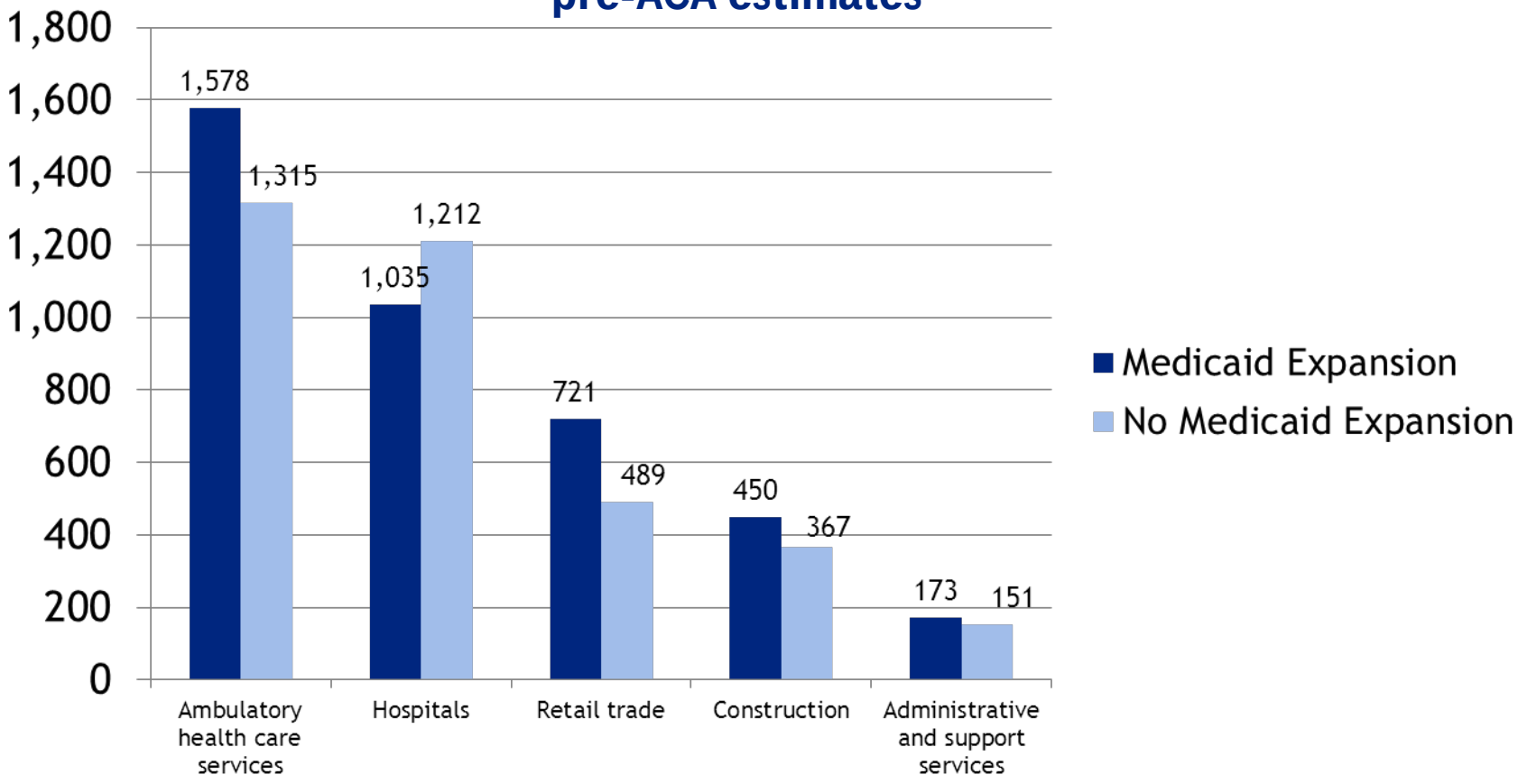
From 2014-202, NH gains an average of 5,100 jobs under Medicaid expansion relative to the baseline—700 more jobs compared to no expansion

Average Number of Jobs Added Compared to Pre-ACA Baseline (2014-2020)

	Average Number of Jobs Added
Expansion	5,111
No Expansion	4,418
Difference	693

The number of added jobs will vary by sector, with ambulatory health care services seeing the largest increase under expansion and no expansion

Average Change in Employment by Sector (2014-2020), compared to pre-ACA estimates



ACA significantly boosts NH's economy and revenues, and Medicaid expansion maximizes these economic and fiscal impacts

Cumulative Change in GSP, Personal Income, and State Revenue from baseline, 2014-2020, in millions

	Change in GSP	Change in Personal Income	Change in State Revenue
Expansion	$2,839.05	$2,346.30	$127.32
No Expansion	$2,450.78	$2,069.38	$114.13
Difference	$388.27	$276.92	$13.20

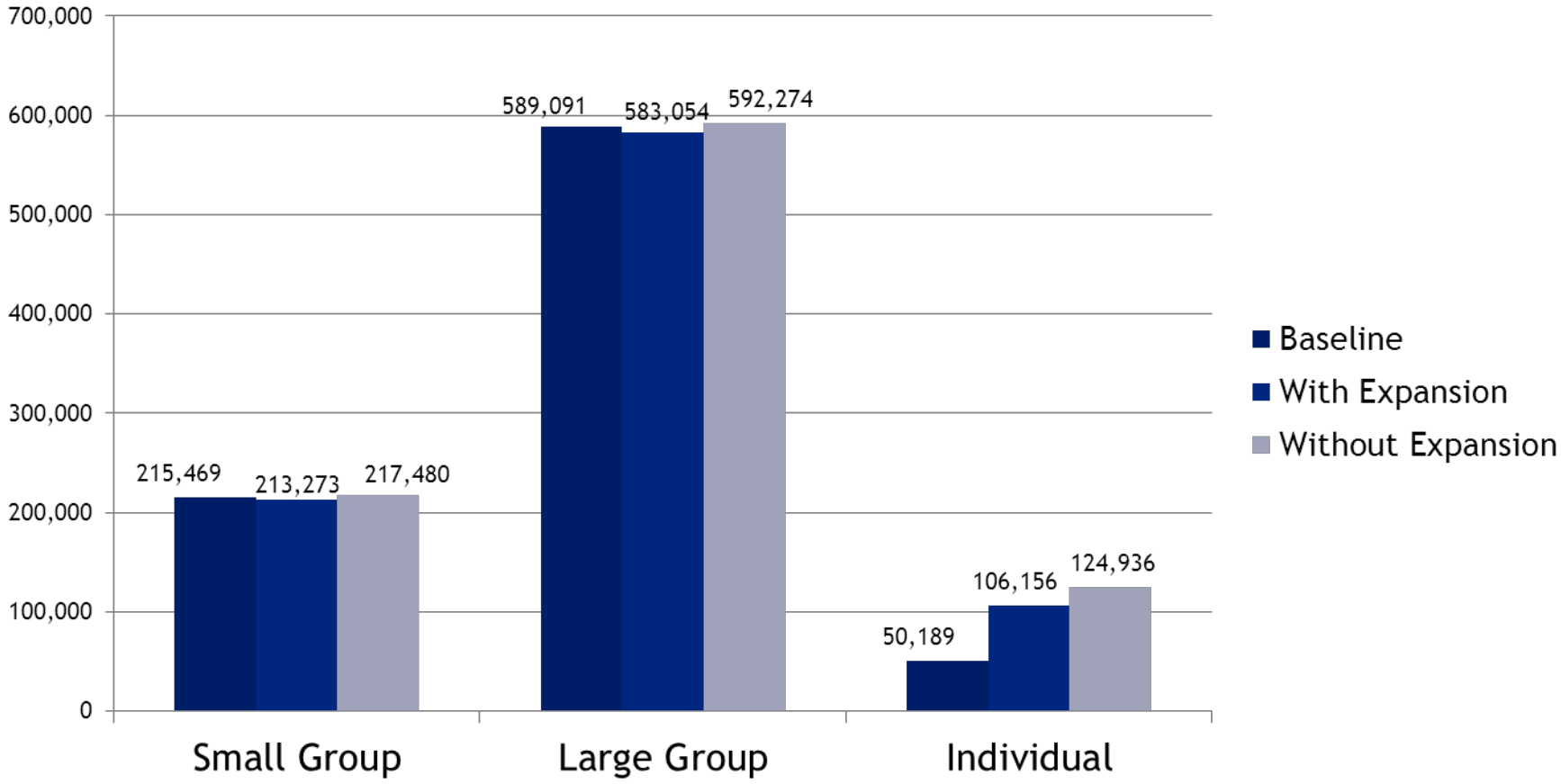
Impact on Commercial Market

Cost Shifting

- Cost shifting occurs when providers attempt to offset a portion of unpaid costs in one population through above-cost charges in another
- Under expansion and no expansion, we estimate reduced costs of uncompensated care and undercompensated care to be an insignificant portion of annual total premiums paid by private individual market and employer market insurance holders
  - **With expansion**: 0.37 percent decrease in private premiums
  - **Without expansion**: 0.34 decrease in private premiums

Under ACA, the small and large group markets will experience minimal changes in enrollment, while the individual market will see a significant increase

Commercial Market Enrollment under ACA (2014)



Summary

Phase II Summary

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- Expanding Medicaid will offset costs to other state programs, thus reducing the total state cost of implementing Medicaid expansion
  - Total offsets under expansion (FFS): $67.1 million (2014-2020)
  - Total state cost of expansion (baseline): $18.4 million (2014-2020)
- The ACA and Medicaid expansion will also have a measurable positive impact on the state economy at large
- Impact on the uninsured, on providers, and on the commercial market should also be considered, as the decision to expand Medicaid affects these stakeholders and subgroups in different ways

Phase I & II Summary: Net State Cost of Expansion, in $1,000s (2014-2020)

Scenario	Cost to Federal Government (2014-2020) in $1,000s	Cost to State (2014-2020) in $1,000s	Offsets to State Costs (2014-2020) in $1,000s	Net Cost to State (2014-2020) in $1,000s
No Expansion:				
1. Baseline	$55,845.0	($65,779.6)	$0	($65,779.6)
2. Moving Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	$7,154.1	($113,691.4)	$0	($113,691.4)
Expansion:				
3. Baseline	$2,510,922.3	$85,488.0	$67,136.0	$18,352.0
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6. Managed Care Rates 1/	$2,501,073.5	$69,470.2	$116,570.0	($47,100)
7. Delay Implementation by One Year	$2,158,931.0	$79,384.2	$44,028.0	$35,356.2
8. Delay Implementation by Two Years	$1,797,367.2	$71,165.5	$37,925.0	$33,240.5
9. Move Current Eligibles Above 138 of Percent FPL to HBE (MEAD and Pregnant Women Eligibility Categories)	$2,462,231.5	$37,576.1	$67,136.0	($29,559.9)
10. Option 7 plus Transition Enrollees out of Breast and Cervical Cancer Program Eligibility Category	$2,475,786.4	$24,021.2	$67,136.0	($43,114.8)
11. Option 8 plus Transition of Pregnant Women Below 138 Percent of FPL into "Newly Eligible" Category	$2,525,989.2	($26,181.6)	$67,136.0	($93,317.6)

1/ Includes premium assessment revenues for the New Hampshire Insurance Department ($49.4 million)