Expanding Medicaid in Ohio

preliminary analysis of likely effects

Funded by
The Health Foundation of Greater Cincinnati, The Mt. Sinai Health Care Foundation
and The George Gund Foundation

01.15.2013

About the study

- Partnership of Regional Economic Models, Inc., the Urban Institute, Ohio State University and Health Policy Institute of Ohio

- Funded by the Health Foundation of Greater Cincinnati, the Mt. Sinai Health Care Foundation and the George Gund Foundation

- Designed to analyze the impact of potential Medicaid expansion on:
  - The state budget
  - Ohio economic growth and jobs
  - The number of uninsured
  - Health coverage, jobs, economic growth, and revenue for regions within the state and some individual counties (to be released in February)

The Urban Institute's Health Insurance Policy Simulation Model (HIPSM)

- HIPSM is a "microsimulation model," like the model used by the Congressional Budget Office and the U.S. Treasury Department.
- HIPSM uses Census Bureau and other government data to develop a detailed picture of Ohio residents and businesses. In this case, HIPSM's picture of Ohio residents was modified to reflect recent cost and enrollment data from the state's Medicaid program.
- HIPSM estimates how Ohio's residents and employers would react to various policy changes, including the ACA, with and without a Medicaid expansion, based on the health economics literature and empirical observations.
- HIPSM is being used to estimate the ACA's cost and enrollment effects by the federal government, a number of states, the Robert Wood Johnson Foundation, the Kaiser Commission on Medicaid and the Uninsured, and the Commonwealth Fund.
- HIPSM's methods are all a matter of public record. See http://www.urban.org/UploadedPDF/412471-Health-Insurance-Policy-Simulation-Model-Methodology-Documentation.pdf.

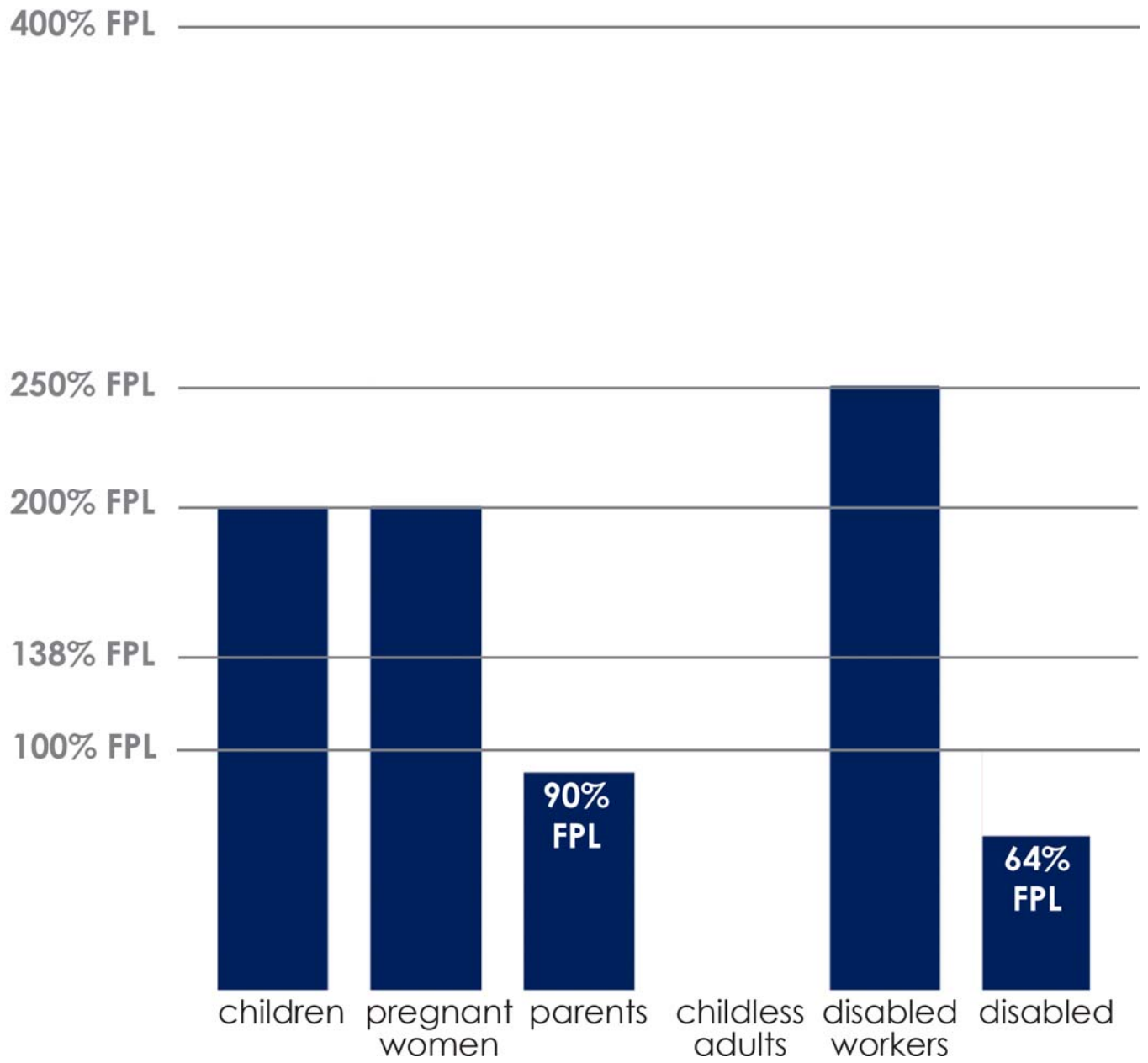
Regional Economic Models, Inc. (REMI)'s Tax-PI Model

- REMI was founded in 1980, based on the idea that government decision-makers should test the economic effects of policies before implementation. REMI models are used in nearly each U.S. state at all levels of government.
- The Tax-PI model allows users to simulate not only the statewide impact of policy on such variables as jobs, income, GRP, demographics but also state revenue and expenditures.
- The REMI model is a structural macro-economic simulation model that integrates input-output, computable general equilibrium, econometric and new economic geography theories. The model is dynamic and generates year-by-year estimates.
- The model has also been used to evaluate the detailed effects of Medicaid expansion in other states and broadly across all 50 states.
- The underlying methods and system of equations have all been peer reviewed and are available at http://www.remi.com/resources/documentation.

Key questions

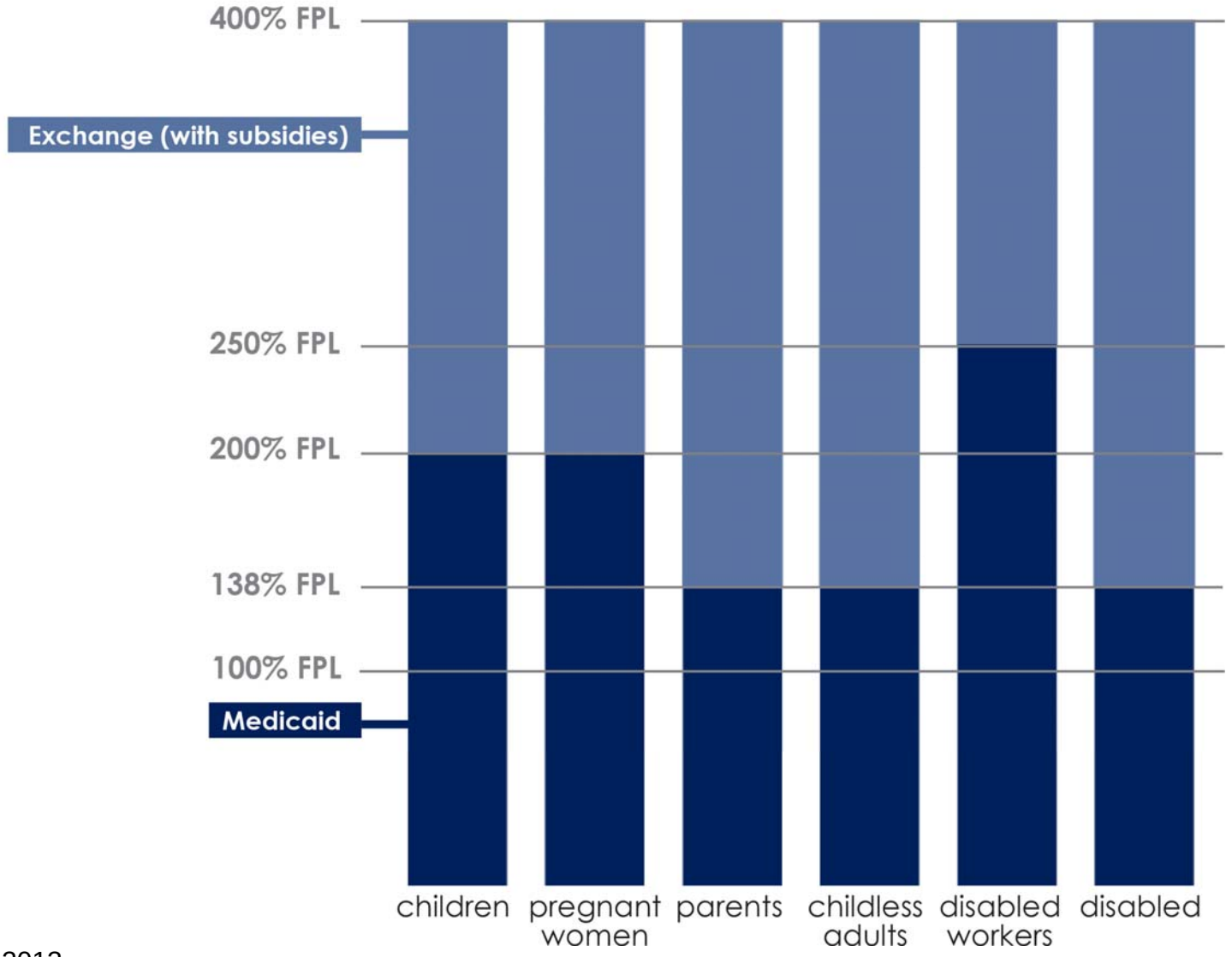
1. Does a Medicaid expansion generate **new state Medicaid costs**?
2. Does a Medicaid expansion allow **state budget savings**?
3. How does a Medicaid expansion **affect state revenue**?
4. What is a Medicaid expansion's **net impact on the state budget**?
5. How else does a Medicaid expansion **affect Ohioans**?
6. What impacts will the state experience from the ACA even **if Medicaid is not expanded**?

Current Medicaid eligibility



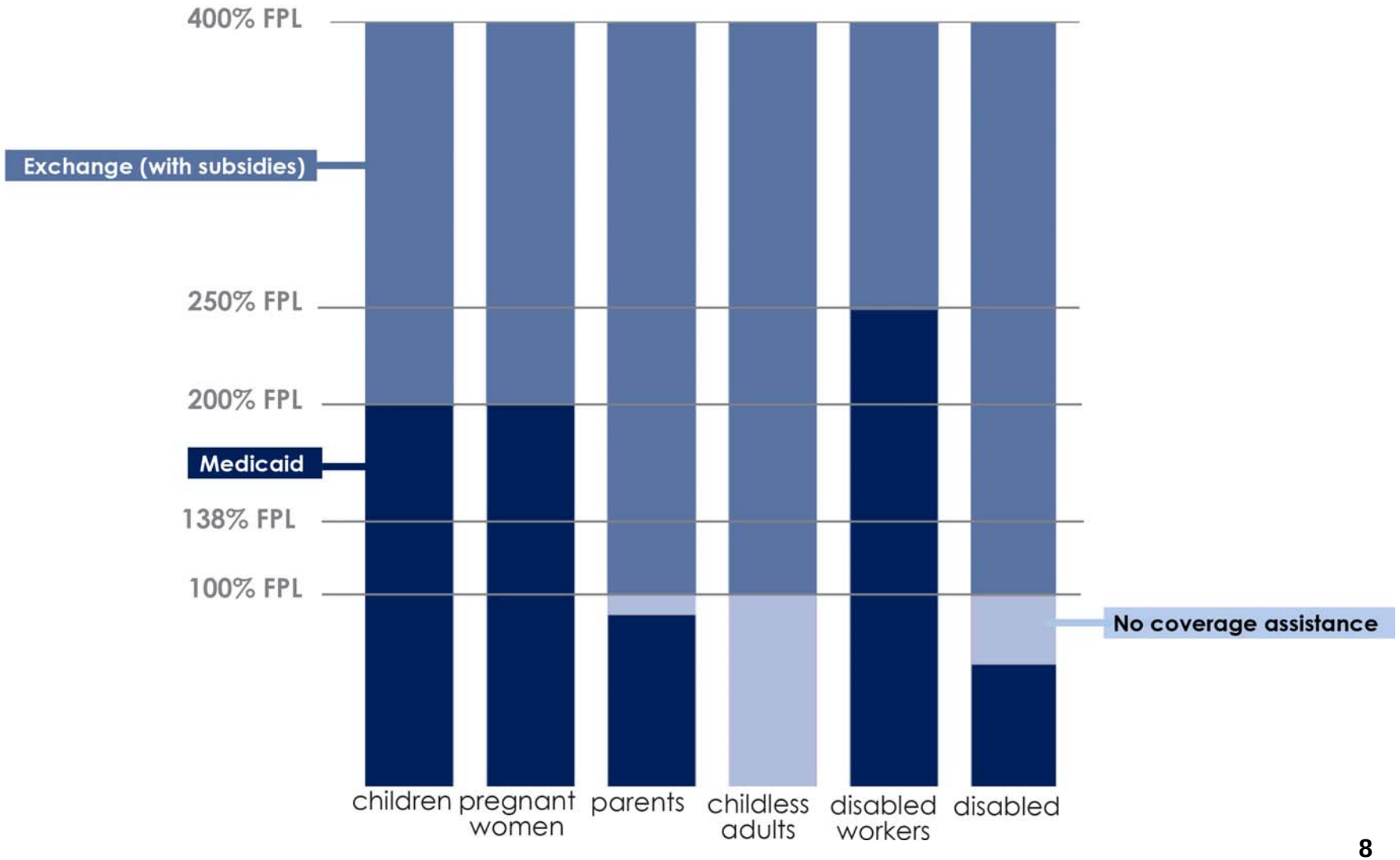
Subsidized health coverage eligibility for Ohioans in 2014

with ACA Medicaid expansion



Subsidized health coverage eligibility for Ohioans in 2014

without ACA Medicaid expansion



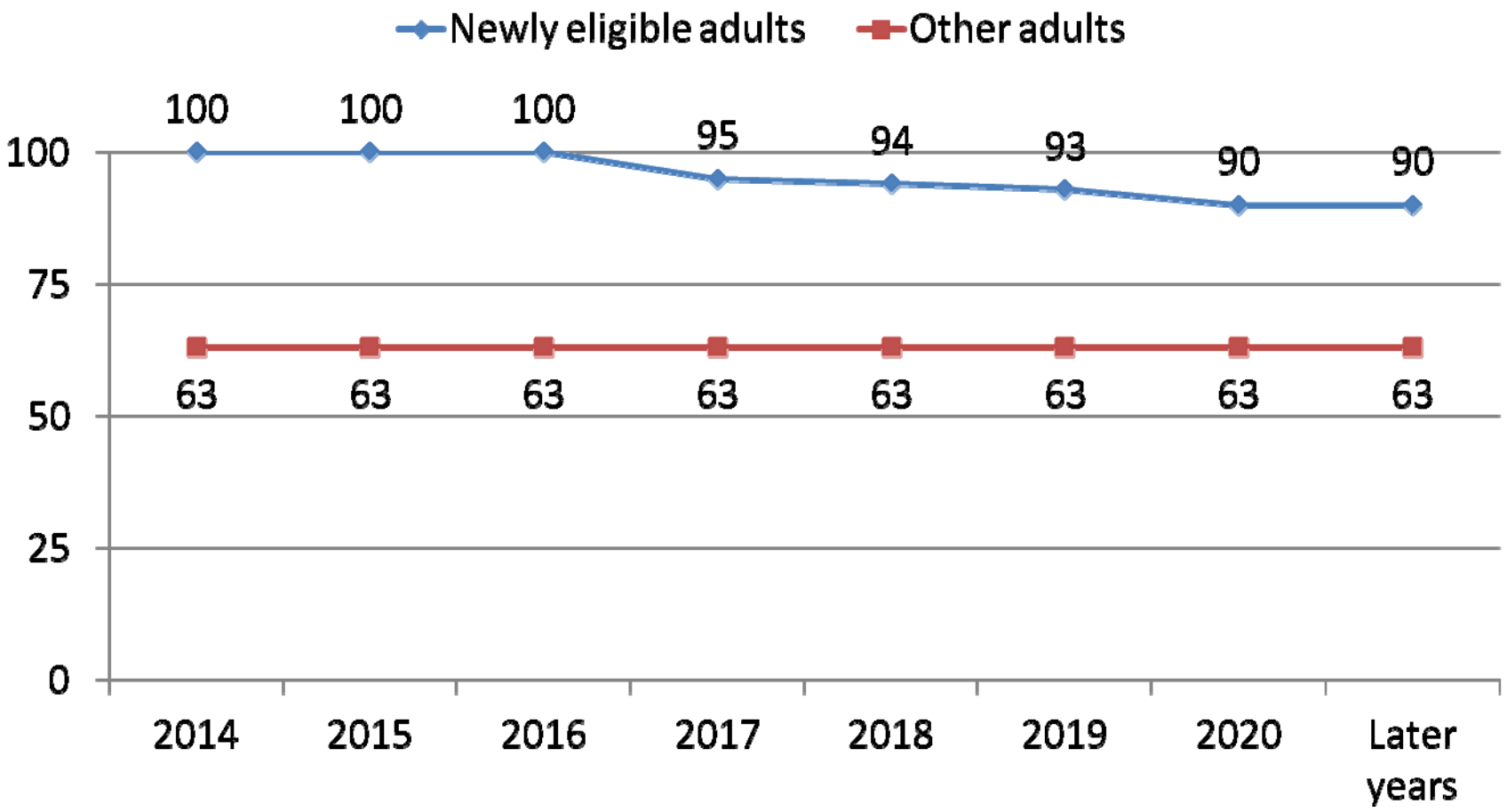
Initial caveats

- Projections inherently involve uncertainty.
- These estimates are preliminary and subject to change.
- Future analyses will include additional estimates that are developed using other methods.
- While the specific numbers may change from the findings presented here, the basic results are likely to stay the same.

Does a Medicaid expansion generate **new state Medicaid costs**?

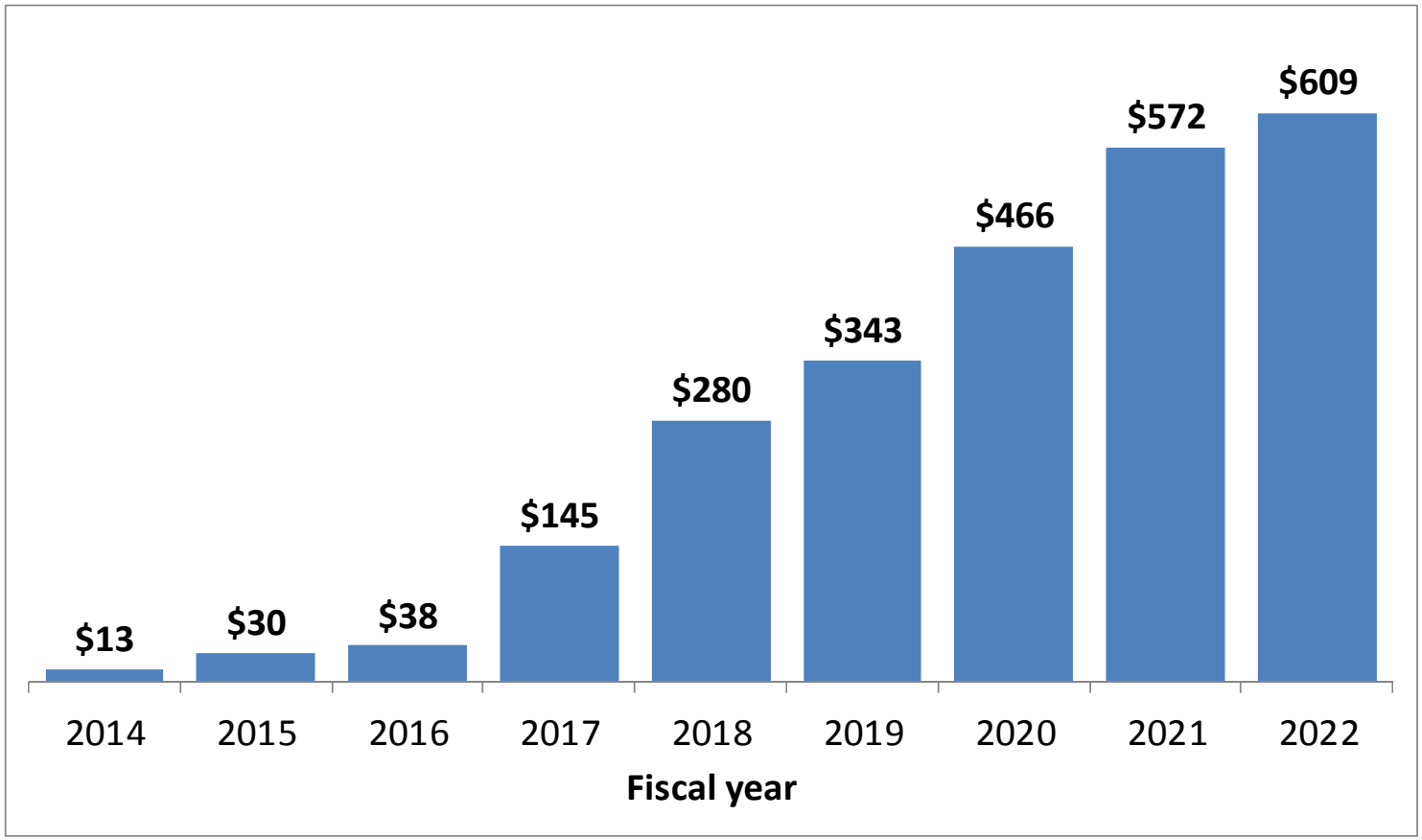
Federal government share

Percentage of health care costs paid by the federal government, newly eligible adults vs. other adults: 2014-2020 and beyond

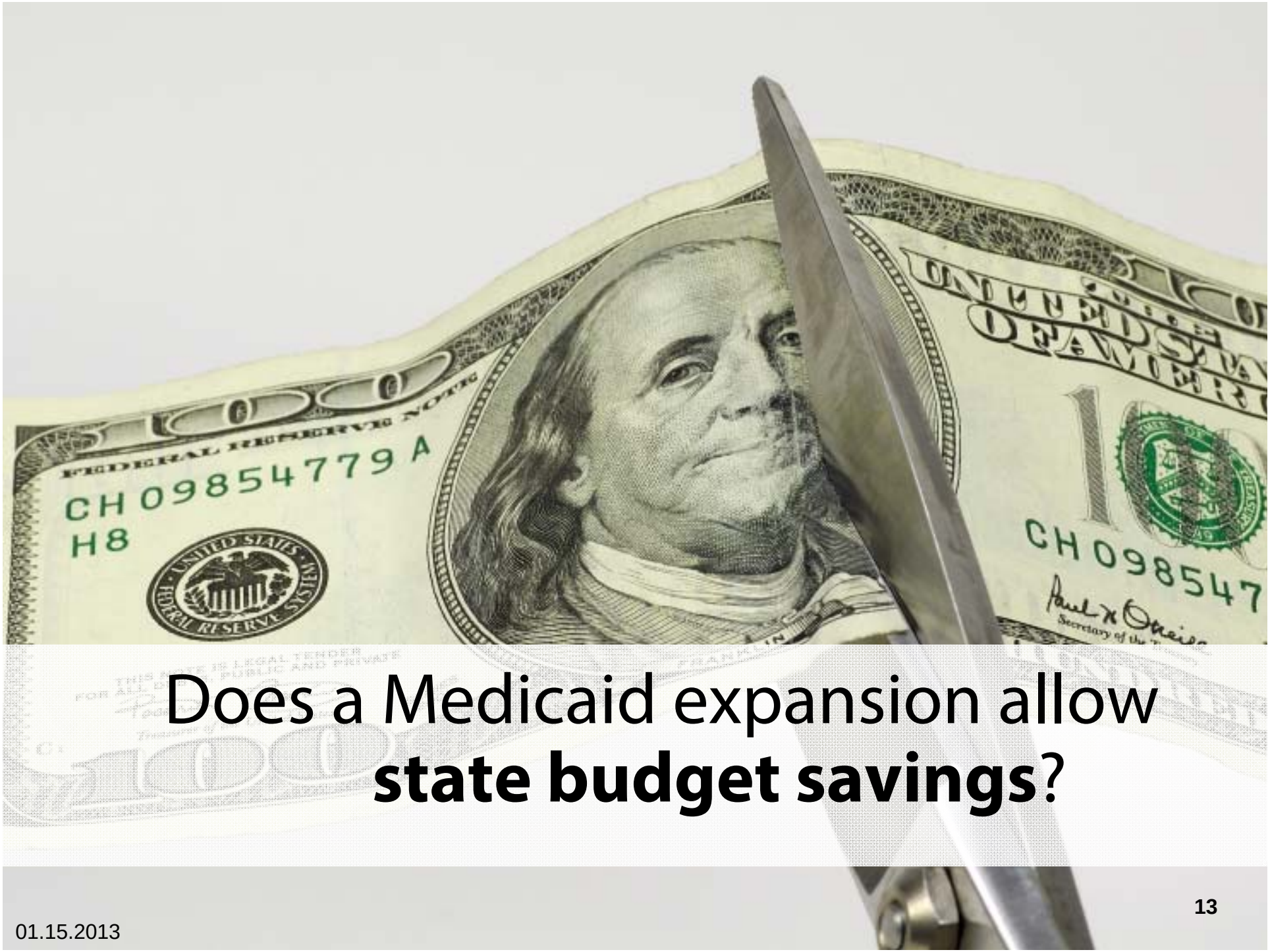


State cost of expansion

Impact of Medicaid expansion on state Medicaid spending: FY 2014-2022 (millions)



Source: Urban Institute HIPSM 2013. *Note:* Figure does not include savings resulting from higher federal matching rates for certain current beneficiaries.



Does a Medicaid expansion allow **state budget savings**?

Spend-down adults

would become newly eligible adults, receiving higher federal match

- Today, they qualify after incurring medical bills
- With expansion, they would qualify immediately as newly eligible adults, without incurring medical bills
- Medicaid would cover more of their health costs, but **the federal government would pay a much higher share of their Medicaid costs, resulting in net state savings**

Fiscal year	Net savings on spend-down adults (millions)
2014	$36
2015	$74
2016	$78
2017	$80
2018	$82
2019	$86
2020	$87
2021	$91
2022	$96
Total:	**$709**

Source: OSU 2013.

Women with breast and cervical cancer

would become newly eligible adults, receiving higher federal match

- Today, they qualify for the Breast and Cervical Cancer Program (BCCP) after receiving a diagnosis from a CDC-affiliated clinic
- With an expansion, they would qualify immediately as newly eligible adults, with the federal government paying a higher share of costs, resulting in state savings

Fiscal year	BCCP savings (millions)
2014	$2
2015	$5
2016	$5
2017	$5
2018	$6
2019	$6
2020	$6
2021	$6
2022	$7
Total:	**$48**

Source: OSU 2013. *Note*: The current BCCP program has federal matching rates between standard and ACA levels. Estimates assume that all new BCCP enrollees receive Medicaid as newly eligible adults. If some enroll instead in the exchange, state savings would increase, because the state would not spend anything for their care. However the latter savings would occur with or without expansion.

Inpatient prison health care

would be covered by Medicaid

- Medicaid does not cover most prison health care, but it can cover inpatient and institutional care that inmates receive off the prison grounds.
- Almost all prisoners would qualify as newly eligible adults under an expansion.

Fiscal year	Savings on inpatient care to prisoners (millions)
2014	$15
2015	$31
2016	$32
2017	$32
2018	$32
2019	$32
2020	$33
2021	$33
2022	$34
Total:	**$273**

Source: OSU 2013.

Mental health treatment

Medicaid would cover mental health treatment for the previously uninsured poor

- State and local funds paid $98 million in FY 2011 for services to the uninsured and underinsured that could have been covered by Medicaid.
- Even with a Medicaid expansion, some current clients would remain uninsured and some spending on non-Medicaid services would likely need to continue.
- The table suggests the general magnitude of potential state savings. It shows what would happen if, starting on January 1, 2014, the state reduced its spending by one third of current costs for potentially Medicaid-covered services now provided to the uninsured and underinsured.

Fiscal year	Rough estimate of potential state savings (millions)
2014	$18
2015	$38
2016	$40
2017	$42
2018	$45
2019	$47
2020	$50
2021	$53
2022	$56
Total:	**$389**

Source: MHAC and CCS 2012. *Note*: This table shows one-third the amount of state and local spending on potentially Medicaid-covered services for the uninsured and underinsured in FY 2011, trended forward assuming national per capita cost growth projected by CMS.

Other possible savings

- Enhanced federal match for **family planning waiver program** participants, who become newly eligible adults
- Pending federal policy decisions, the following groups could receive greatly increased federal matching payments as newly eligible adults up to 138 percent of FPL:
  - **Pregnant women**
  - **Transitional Medical Assistance (TMA) families**
- Saving on non-Medicaid **substance abuse treatment programs**
- Savings on other **state non-Medicaid programs** that provide health care to the poor uninsured
- Potentially reduced **criminal justice costs** if the poor and near-poor uninsured receive improved access to mental health and substance abuse treatment

Does a Medicaid expansion **increase state revenue**?

More Medicaid managed care enrollment

would increase state sales tax and insurance tax revenue

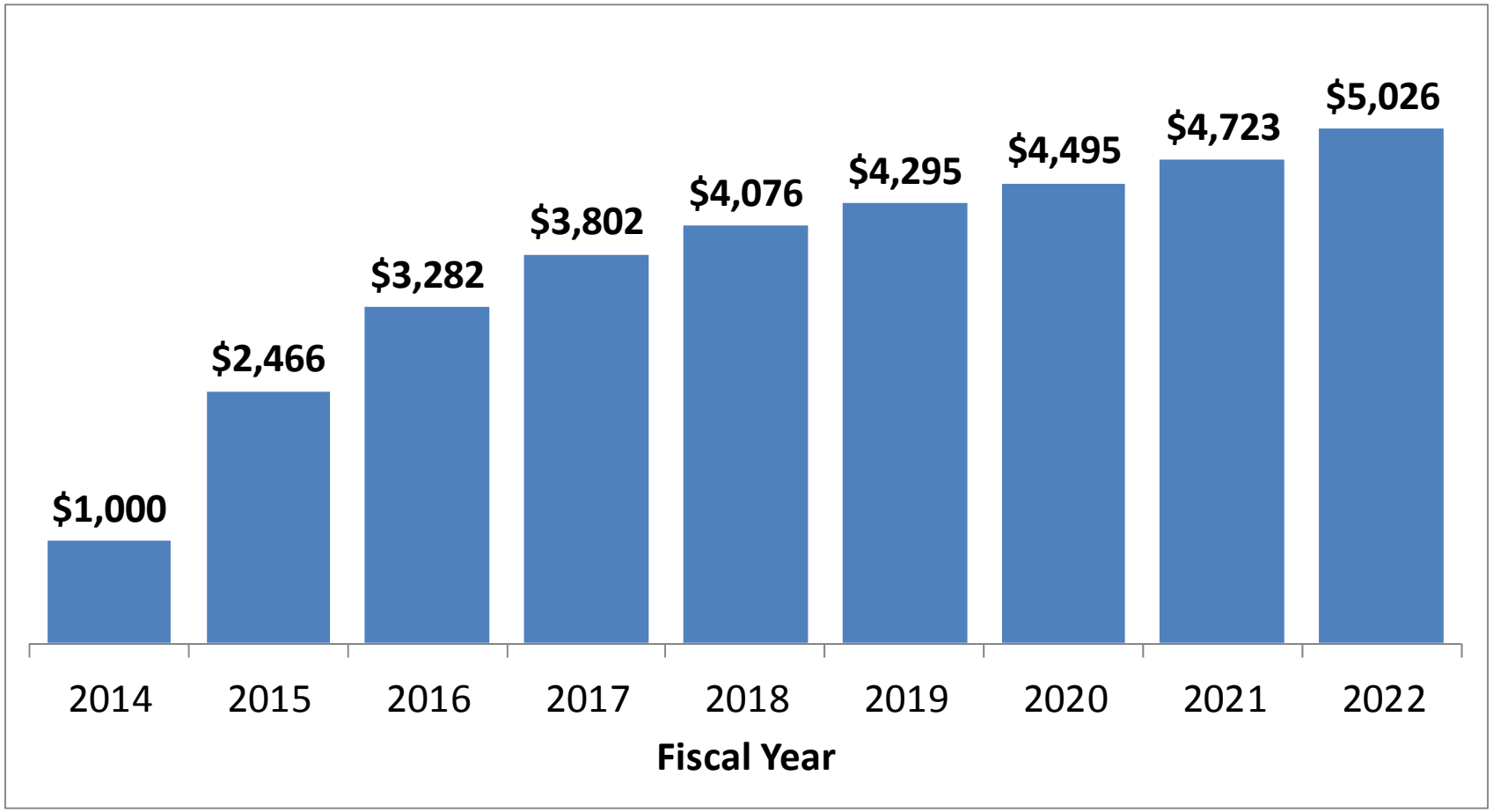
- Managed care premium payments include:
  - 5.5 percent state sales tax
  - 1.0 percent state health insurance tax
- With expansion, most new Medicaid spending will pay managed care premiums

Fiscal year	Revenue (millions)
2014	$38
2015	$118
2016	$166
2017	$202
2018	$226
2019	$242
2020	$259
2021	$277
2022	$295
Total:	**$1,823**

Source: Urban Institute HIPSM 2013. *Note*: This table includes both state and federal payments for tax surcharges, since our cost estimates include state payment of these taxes. Because state payment of managed care taxes is treated in the same way for both cost estimates and revenue estimates, the two estimates can be combined to show net state budget effects. The table also takes into account revenue lags.

Federal Medicaid dollars in Ohio

Impact of expansion on federal Medicaid dollars in Ohio:
FY 2014-2022 (millions)



Source: Urban Institute HIPSM 2013. *Note:* Figure does not include effects of higher federal matching rates for certain current beneficiaries.

Impact on general state revenue

Medicaid expansion increases economic activity, which raises general state revenue

- Medicaid expansion increases the amount of federal money buying health care from Ohio providers
- Ohio providers use that money to buy other goods and services, much of which is within the state
- The resulting economic activity increases general state revenue

Fiscal year	General revenue (millions)
2014	$25
2015	$61
2016	$82
2017	$97
2018	$106
2019	$113
2020	$118
2021	$124
2022	$132
Total:	**$857**

Source: REMI 2013. *Note:* Results include effects of increased economic activity on state sales tax and individual and corporate income tax revenues. Results take into account the loss of federal exchange subsidy dollars under a Medicaid expansion.

Prescription drug rebates

Drug manufacturers rebate to the state a portion of Medicaid drug costs

- Prescription drug manufacturers rebate to the state and federal governments a portion of Medicaid's prescription drug costs.
- Because the state pays little or nothing for newly eligible adults, the state receives only a small amount of rebate revenue.

Fiscal year	State rebates (millions)
2014	$1
2015	$3
2016	$3
2017	$20
2018	$25
2019	$31
2020	$43
2021	$45
2022	$47
Total:	**$218**

Source: OSU 2013.

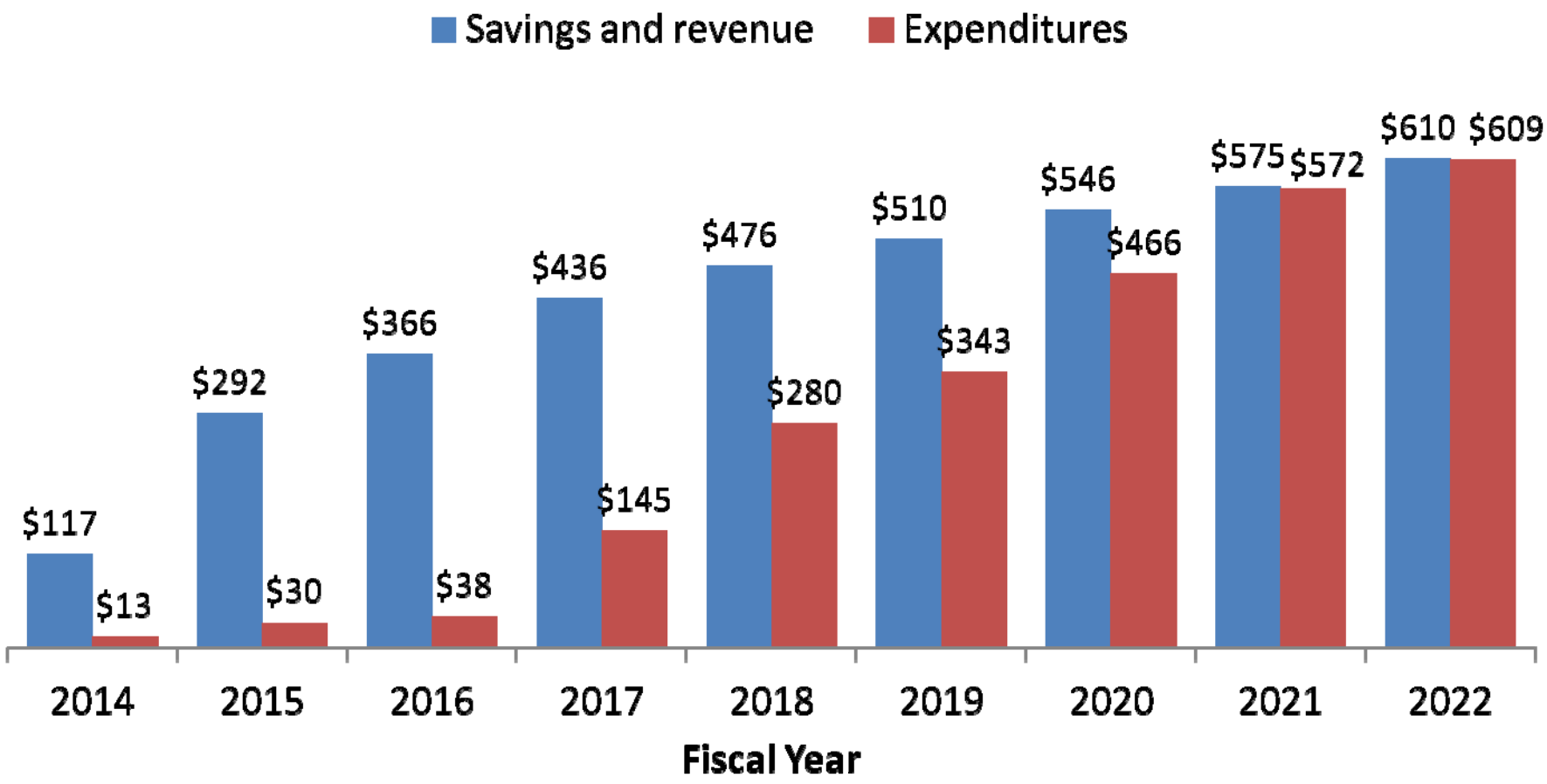
What is the **net effect on the state budget**?

Overall impact of expansion on state budget (millions)

Fiscal year	Increased state costs from more Medicaid enrollment	Savings (spend-down adults, BCCP, inpatient prison costs, mental health)	Revenue (taxes on managed care plans, general revenue, drug rebates)	Net state fiscal gains
2014	$13	$53	$63	**$104**
2015	$30	$109	$183	**$262**
2016	$38	$115	$251	**$328**
2017	$145	$117	$318	**$290**
2018	$280	$119	$357	**$197**
2019	$343	$124	$386	**$167**
2020	$466	$126	$420	**$80**
2021	$572	$130	$445	**$3**
2022	$609	$137	$473	**$1**
Total:	**$2,497**	**$1,030**	**$2,898**	**$1,431**

Note: Table does not include potential savings from TMA coverage, Medicaid coverage of pregnant women or family planning waivers, savings on non-Medicaid spending for substance abuse treatment and other care to the poor uninsured, other criminal justice savings, or administrative cost effects.

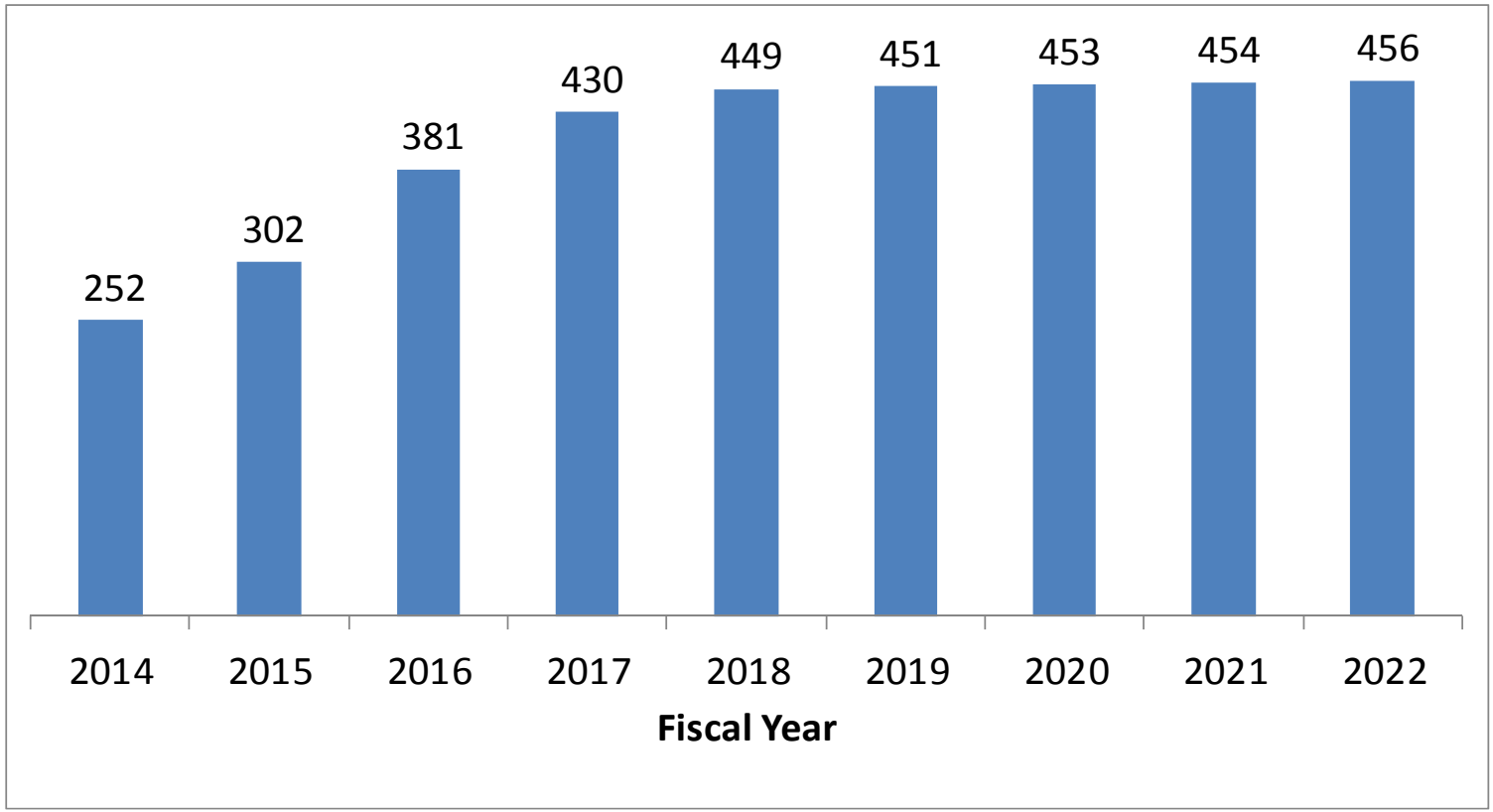
Medicaid expansion, state budget effects: FY 2014-2022 (millions)



How does a Medicaid expansion **affect Ohioans**?

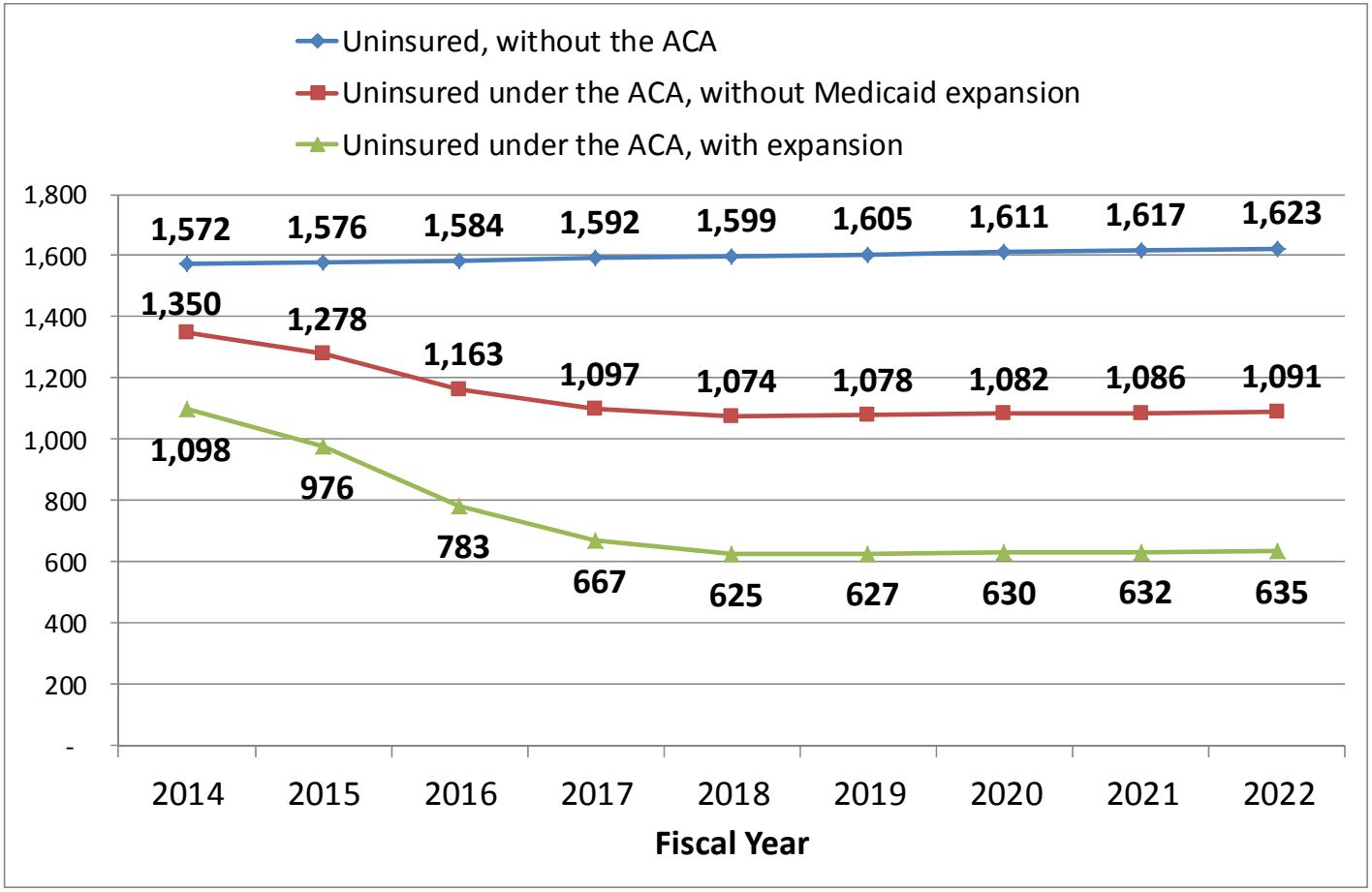
Fewer uninsured

The number of Ohio uninsured who would gain coverage from a Medicaid expansion: FY 2014-2022 (thousands)



Source: Urban Institute HIPSM 2013. *Note:* FY 2014 results are for January through June 2014. Figure shows the difference between the total number of uninsured, with and without a Medicaid expansion, in each year. It does not show the number of additional uninsured who will gain coverage each year. Figure shows net effects of changes to Medicaid and private coverage. Figure shows the impact of Medicaid expansion. Figure does not include the uninsured who will gain coverage under the ACA's other provisions.

The number of Ohio uninsured, with and without the ACA, with and without a Medicaid expansion (thousands)



Source: Urban Institute HIPSM 2013. FY 2014 results are for January through June 2014.

Impact on Ohio economy

The effects of additional federal Medicaid dollars on the Ohio economy

Fiscal year	Increased employment	Increased earnings (millions)
2014	**9,459**	$487
2015	**22,657**	$1,227
2016	**28,384**	$1,660
2017	**31,210**	$1,963
2018	**32,033**	$2,168
2019	**31,989**	$2,317
2020	**31,599**	$2,429
2021	**31,401**	$2,551
2022	**31,872**	$2,718
	Total:	**$17,520**

Source: REMI 2013. *Note:* Results show the effects of Medicaid expansion, based on increased federal funding buying Ohio health care, including increased federal Medicaid dollars and fewer federal exchange subsidy dollars. Results shown here do not include effects of other ACA provisions.

Impact on Ohio health care costs

The effect of Medicaid expansion on health care costs for Ohio employers and consumers (millions)

Without a Medicaid expansion:

- Employers will provide health coverage to some poor or near-poor consumers who, under the ACA's original design, were slated to be enrolled in Medicaid
- Poor and near-poor consumers who could have enrolled in Medicaid instead will be uninsured or obtain insurance with cost-sharing well above Medicaid levels

Fiscal year	Increased employer costs, without an expansion	Increased consumer costs, without an expansion
2014	$9	$308
2015	$61	$657
2016	$135	$733
2017	$191	$803
2018	$222	$865
2019	$236	$920
2020	$252	$979
2021	$268	$1,042
2022	$285	$1,109
Total:	**$1,659**	**$7,415**

Source: Urban Institute HIPSM 2013.

Impact on county sales tax revenue

A Medicaid expansion would increase county sales tax revenue

- In the aggregate, counties receive sales tax revenue equal to 1.35 percent of Medicaid managed care premiums
- With an expansion, most new Medicaid spending will pay managed care premiums

Fiscal year	Estimated revenue (millions)
2014	$9
2015	$27
2016	$36
2017	$43
2018	$48
2019	$51
2020	$54
2021	$58
2022	$62
Total:	**$387**

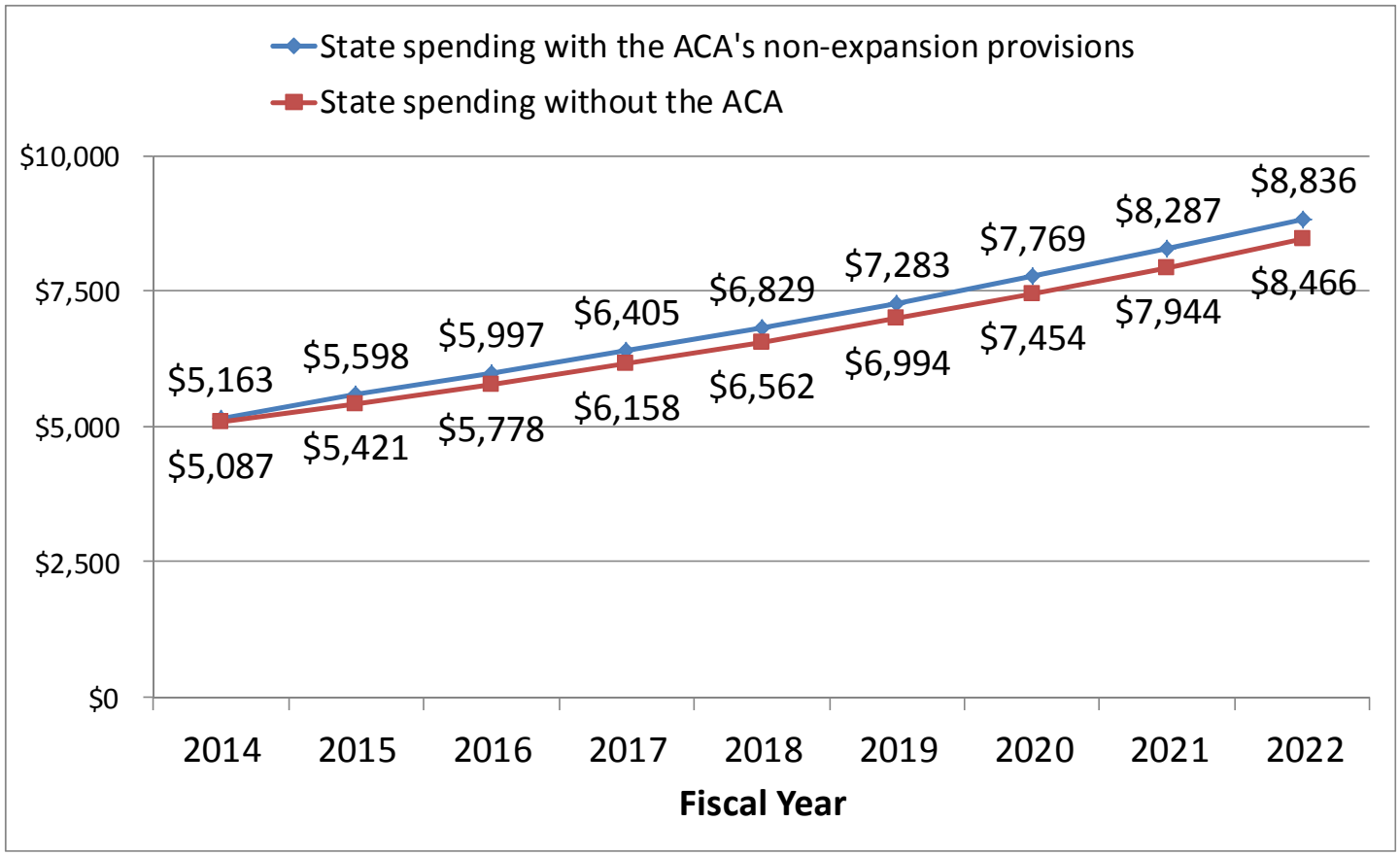
Source: Urban Institute HIPSM 2013. Estimates assume the same revenue lags that apply to state sales taxes.

Other economic considerations for counties

- With an expansion, Medicaid will pay for many people who otherwise would have received health care funded entirely at county expense. Accordingly, some counties can reduce or reinvest the prior health care spending for people who are poor and uninsured.
- Increased economic activity due to more federal Medicaid dollars buying Ohio health care will increase general county revenues.

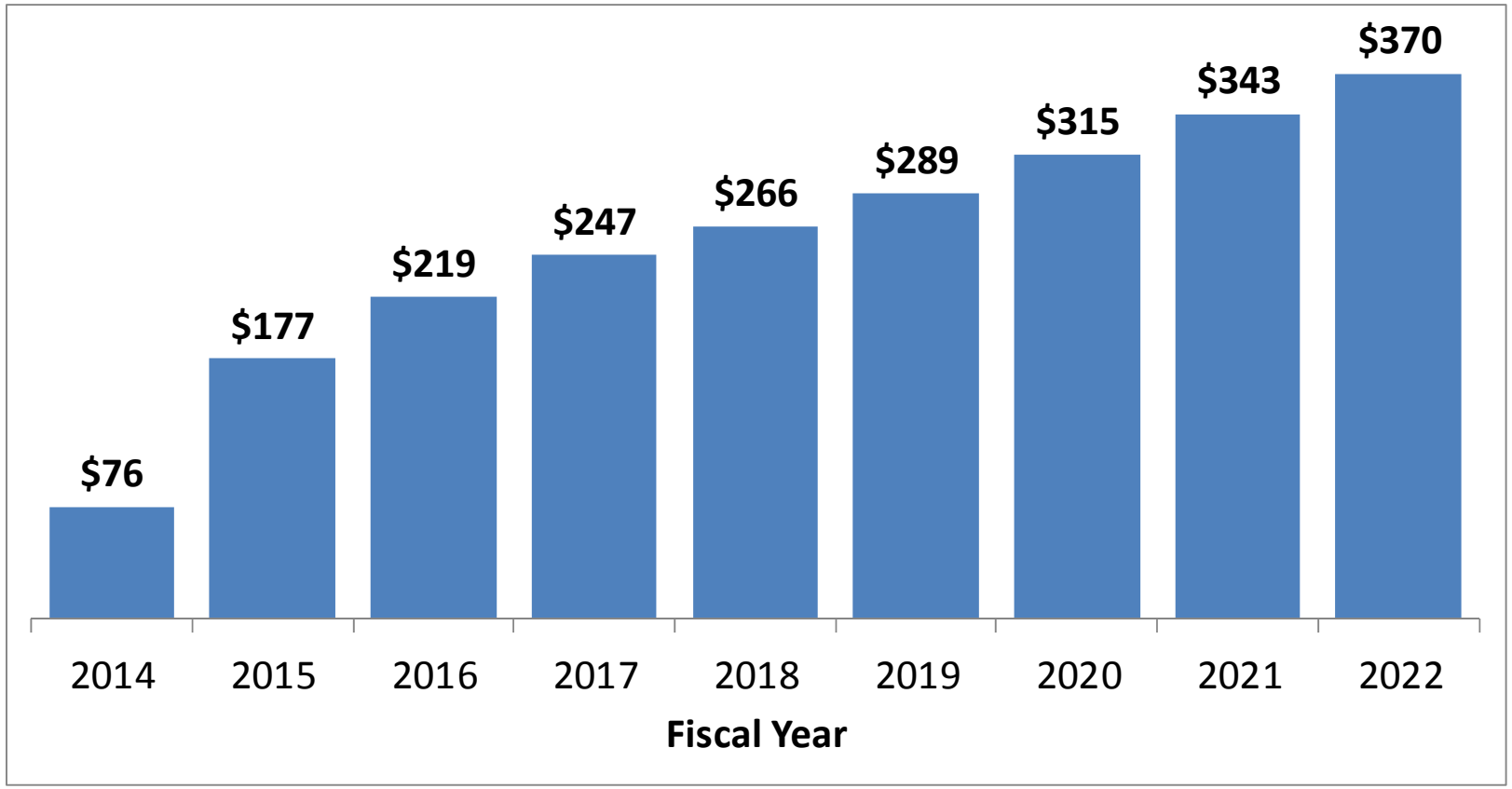
What budget effects will the ACA create even **if Medicaid is not expanded**?

Impact of the ACA's non-expansion provisions on state Medicaid costs: FY 2014-2022 (millions)



Source: Urban Institute HIPSM 2013.

State budget impact of ACA without expansion: cost of increased enrollment among current eligibles (millions)



Source: Urban Institute HIPSM 2013. *Note:* Figure does not include effects of higher federal matching rates for certain current beneficiaries.

Savings and revenue from ACA provisions other than expansion, FY 2014-2022 (millions)

Fiscal Year	CHIP match increase*	Prescription drug rebates	State managed care tax	General state revenue from increased growth	Net offsets to increased costs
2014	$0	$6	$8	$22	**$36**
2015	$86	$19	$23	$58	**$186**
2016	$90	$24	$30	$85	**$229**
2017	$94	$27	$34	$103	**$258**
2018	$98	$29	$38	$110	**$275**
2019	$102	$32	$41	$118	**$293**
2020	$107	$35	$44	$124	**$310**
2021	$112	$38	$48	$131	**$329**
2022	$117	$41	$52	$138	**$348**
Total:	**$806**	**$251**	**$318**	**$889**	**$2,264**

Source: Urban Institute HIPSM 2013; OSU 2013; REMI 2013.

* The 2020 CHIP savings estimate assumes that federal CHIP allotments continue beyond 2015 and that the ACA's 23 FPL percentage point match increase is implemented and continues through 2021.

Overall impact of the ACA's non-expansion provisions on the state budget (millions)

Fiscal year	Increased state costs from more enrollment	Net offsets to increased costs	Net fiscal impact
2014	$76	$36	**($40)**
2015	$177	$186	**$9**
2016	$219	$229	**$10**
2017	$247	$258	**$11**
2018	$266	$275	**$9**
2019	$289	$293	**$4**
2020	$315	$310	**($5)**
2021	$343	$329	**($14)**
2022	$370	$348	**($22)**
Total:	**$2,302**	**$2,264**	**($38)**

Note: Table does not include potential savings from higher federal match rates for eligibility systems or savings from shifting into the exchange current Medicaid adults over 100 or 138 percent of FPL..

Other potential savings from the ACA's non-expansion provisions

- **Higher federal matching rates** for eligibility systems
- **Shifting into the exchange** Medicaid adults who have incomes above 100 or 138 percent FPL

The ACA's impact on the state budget, with and without a Medicaid expansion: FY 2014-2022 (millions)

Fiscal year	Impact of the Medicaid expansion (slide 25)	Impact of ACA, without expansion (slide 38)	Net impact of the ACA, with Medicaid expansion
2014	$104	($40)	**$64**
2015	$262	$9	**$271**
2016	$328	$10	**$338**
2017	$290	$11	**$301**
2018	$197	$9	**$206**
2019	$167	$4	**$171**
2020	$80	($5)	**$75**
2021	$3	($14)	**($11)**
2022	$1	($22)	**($21)**
Total:	$1,431	($38)	**$1,393**

Conclusions

- **A Medicaid expansion** would **generate new state Medicaid costs**.
- Because it would also allow state budget savings and increase state revenue, **a Medicaid expansion would improve the Ohio state budget picture** in the 2014-2022 period—particularly during the next several biennia.
- State **savings due to the Medicaid expansion** would **exceed** the relatively modest net **state costs** resulting from **the ACA's other provisions** for the next four biennia, after which the savings would nearly equal the costs.
- A Medicaid expansion would **reduce the number of uninsured**, **increase Ohio employment and earnings**, **improve county finances**, and **lower health care costs** for Ohio's employers and residents.

Further work

- Data in this presentation will be released, along with related material, as a brief later in January
- In the coming months, the study partners will also:
    - Refine this set of projections
    - Release another set of projections, based on OSU's actuarial model
    - Identify more specific local impacts, including regional and, in some cases, county-level revenue, jobs, economic activity and health coverage

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Supplemental material

2012 Federal Poverty Guidelines

(by household size)

	100%	138%	200%	250%	400%
1	$11,170	$ 15,415	$22,340	$ 27,925	$44,680
2	$15,130	$ 20,879	$ 30,260	$ 37,825	$ 60,520
3	$19,090	$ 26,344	$ 38,180	$ 47,725	$ 76,360
4	$23,050	$ 31,809	$46,100	$ 57,625	$92,200

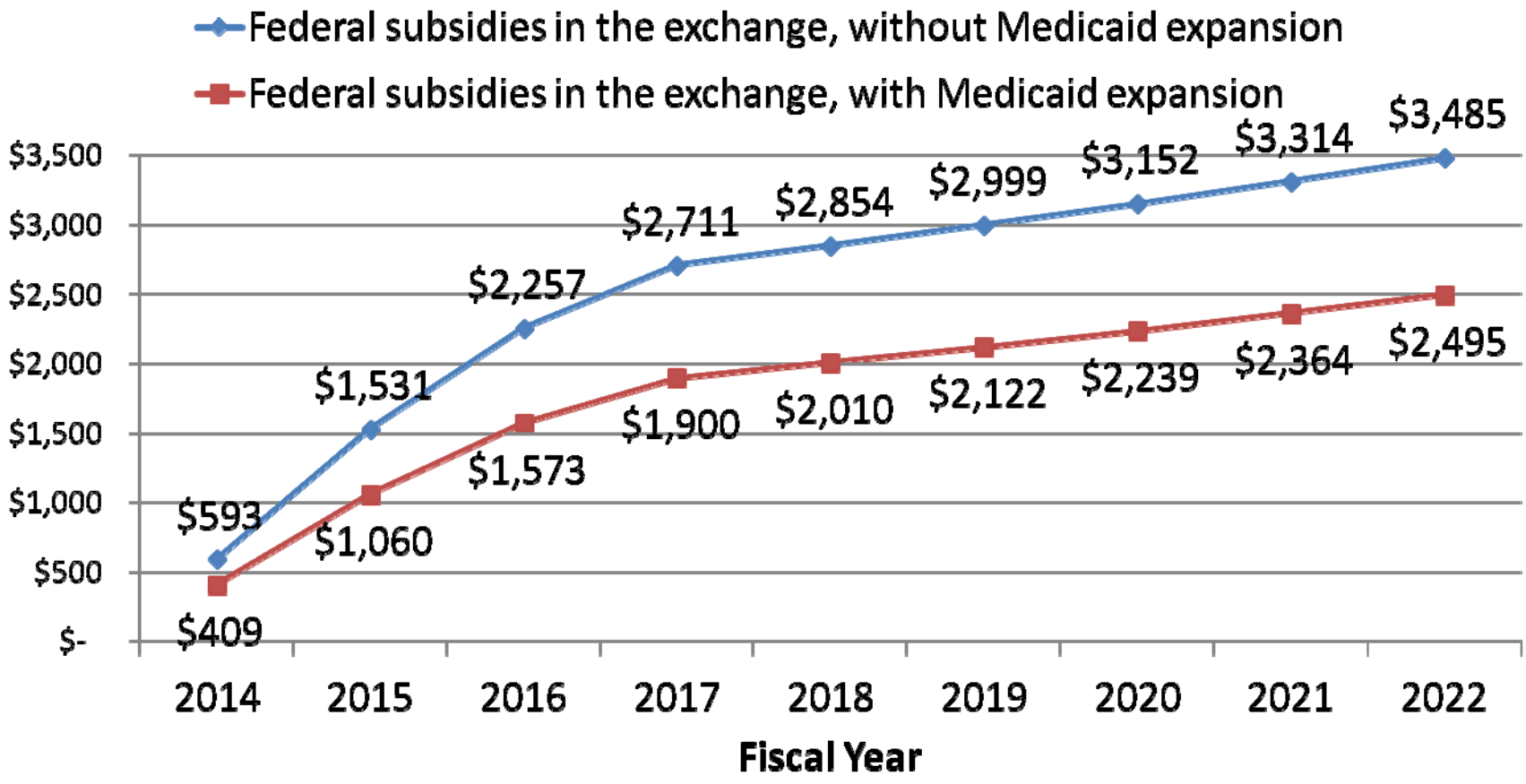
Note: Annual guidelines for all states except Alaska, Hawaii and DC

Source: *Federal Register*, Vol. 77, No. 17, January 26, 2012, pp. 4034-4035

What about Medicaid administrative costs?

- The ACA's non-expansion provisions will affect state administrative costs
  - Changes to Medicaid and CHIP eligibility, including major investments in information technology (IT), will raise administrative costs
  - Provider payment increases and other requirements will increase administrative costs
  - Medicaid must process applications that arrive from the health insurance exchange
  - Federal funding will cover a much higher percentage of IT eligibility costs
- It is unclear whether the expansion itself would raise or lower overall state administrative costs
  - Factors that increase costs
    - Some additional increase in initial applications
    - More eligibility redeterminations
    - More fee-for-service claims
  - Factors that reduce costs
    - Fewer spend-down determinations
    - Fewer disability determinations
    - Fewer fair hearings for eligibility denials

Federal subsidies in the exchange, with and without Medicaid expansion: FY 2014-22 (millions)



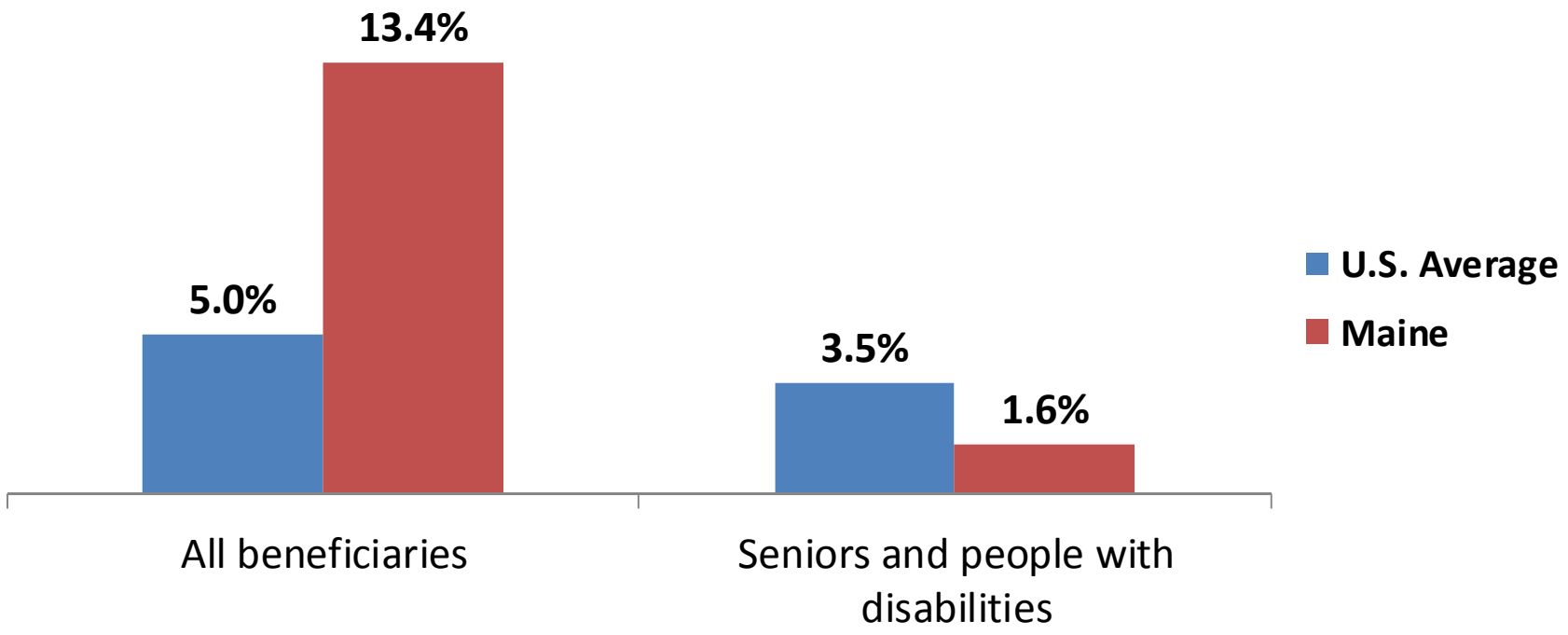
Source: Urban Institute HIPSM 2013.

Will the ACA cause a major increase in enrollment by eligible seniors?

What happened when states expanded coverage over the past decade?

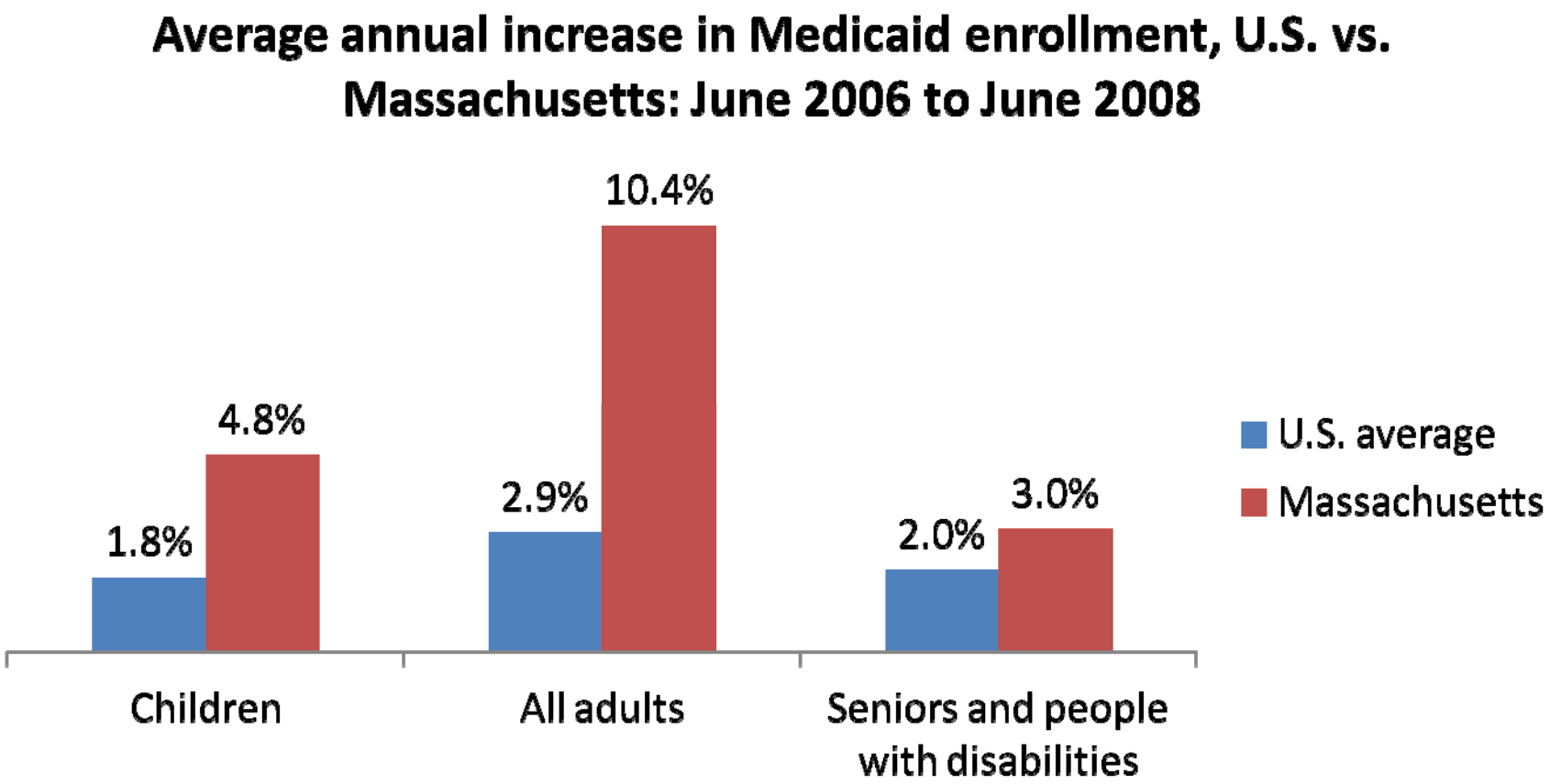
Maine's 2002 reforms

Average annual increase in Medicaid enrollment, U.S. vs. Maine: June 2002 to June 2004



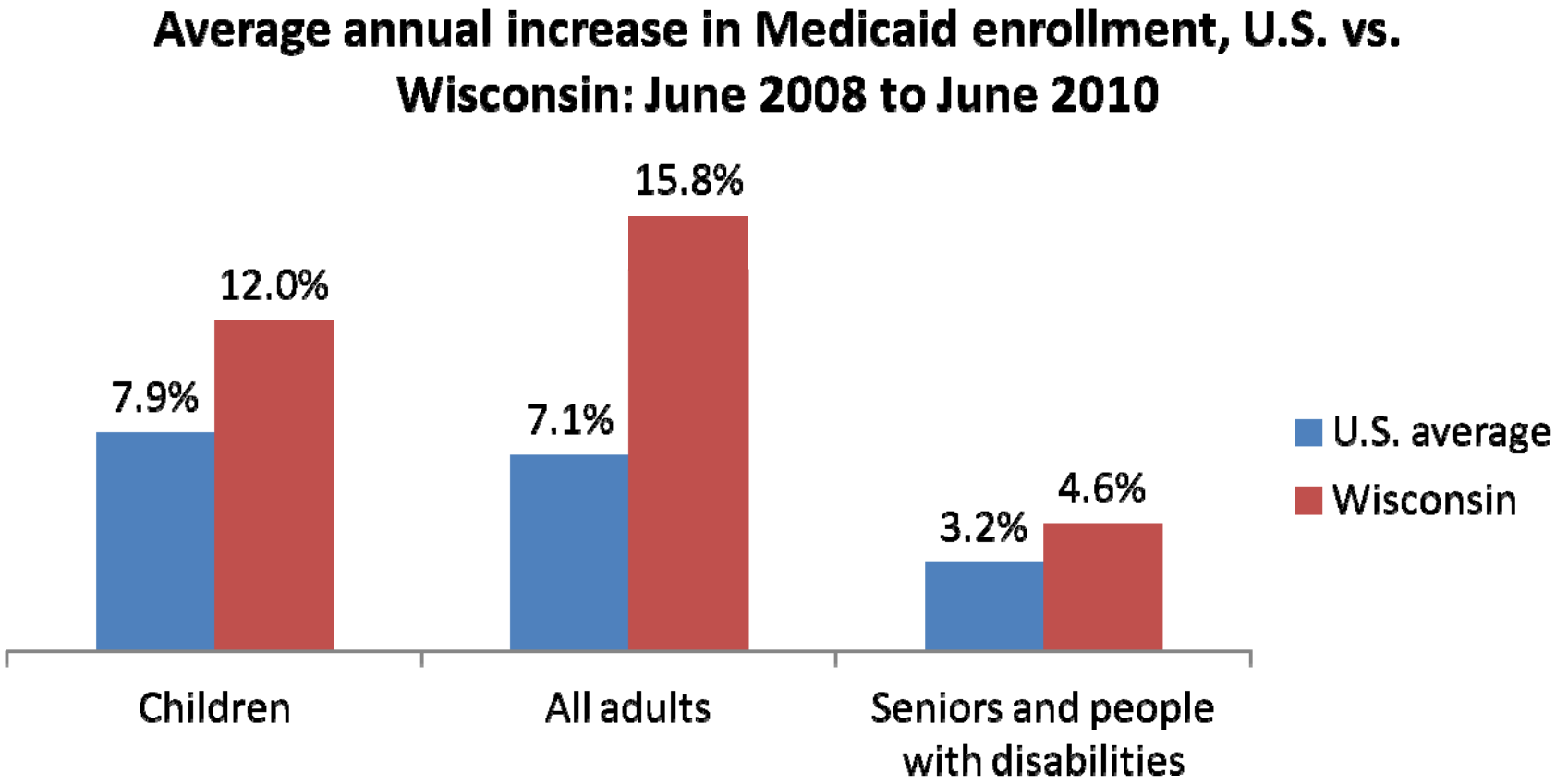
Source: Health Management Associates/Kaiser Commission on Medicaid and the Uninsured 2009.
Note: Enrollment totals for adults and children, broken out separately, are not available for this time period.

Massachusetts's 2006 reforms



Source: Health Management Associates/Kaiser Commission on Medicaid and the Uninsured 2009. *Note*: Totals for adults include seniors. Increases in non-elderly adults were higher than the adult amounts shown here.

Wisconsin's 2008-2009 reforms



Source: Health Management Associates/Kaiser Commission on Medicaid and the Uninsured 2012. *Note*: Totals for adults include seniors. Increases in non-elderly adults were higher than the adult amounts shown here.