

# Overview of Medicaid, Expansion in Other States, and Individual Health Insurance

May 14, 2018

# Presentation Outline

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Medicaid  
Expansion  
Overview



Status in  
Other States



Financial  
Impact

Alternative  
Expansion  
Options



Provider  
Assessment



Individual  
Health  
Insurance



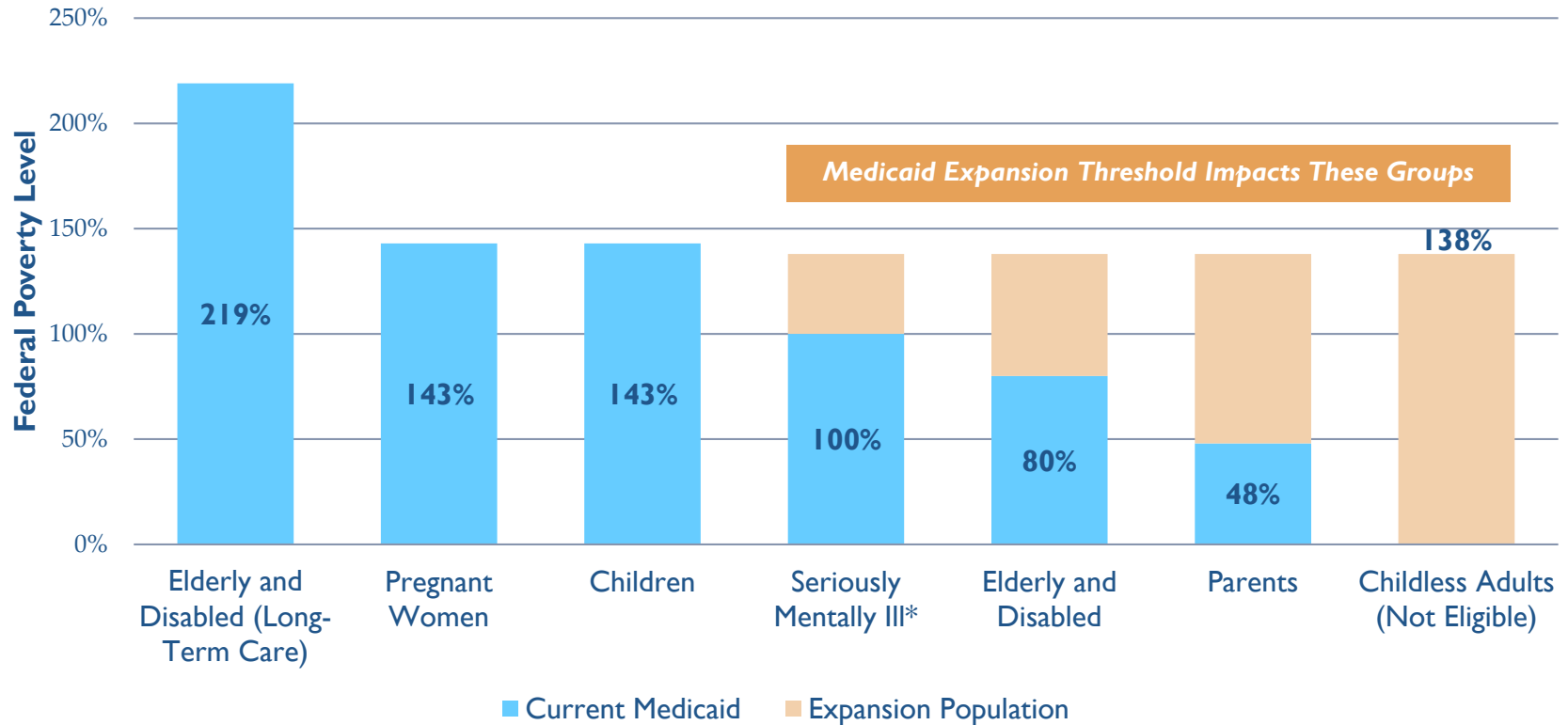
# Medicaid Expansion Overview and Status in Other States

# Medicaid Expansion Overview

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- The Affordable Care Act provides coverage, at state option, through Medicaid to individuals age 18 to 64 with incomes up to 138 percent of the federal poverty level who otherwise are not currently eligible for Medicaid.
  - Expands Medicaid to become a program for all lower income individuals.
  - Mainly expands coverage to childless adults.
  - Federal match rate for the first three years (2014-2016) was 100%, in 2017 it was 95%, it is currently 94% for 2018, will drop to 93% in 2019, and finally reach 90% in 2020 and beyond.

# Income Thresholds for Medicaid (With Expansion)

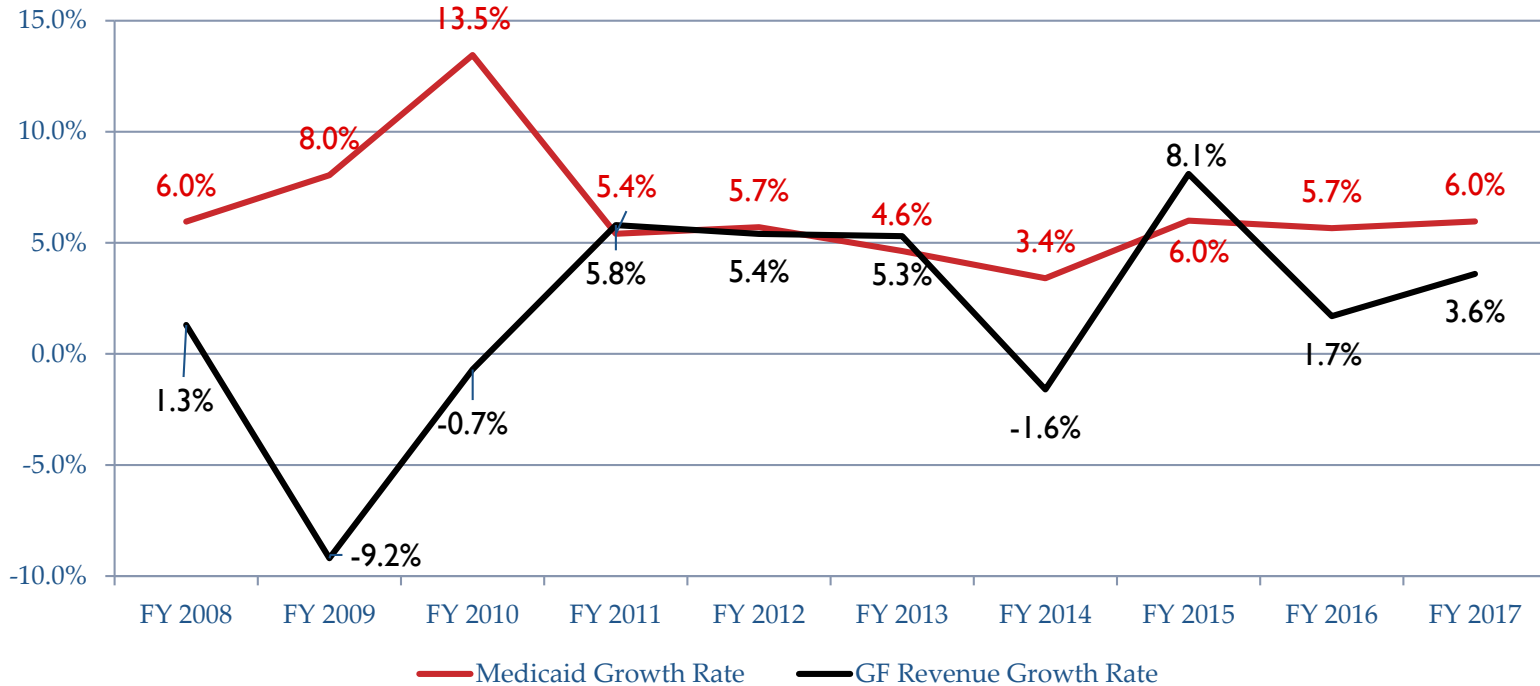


\* Adults with serious mental illness are covered under the GAP waiver, which provides a limited benefit.



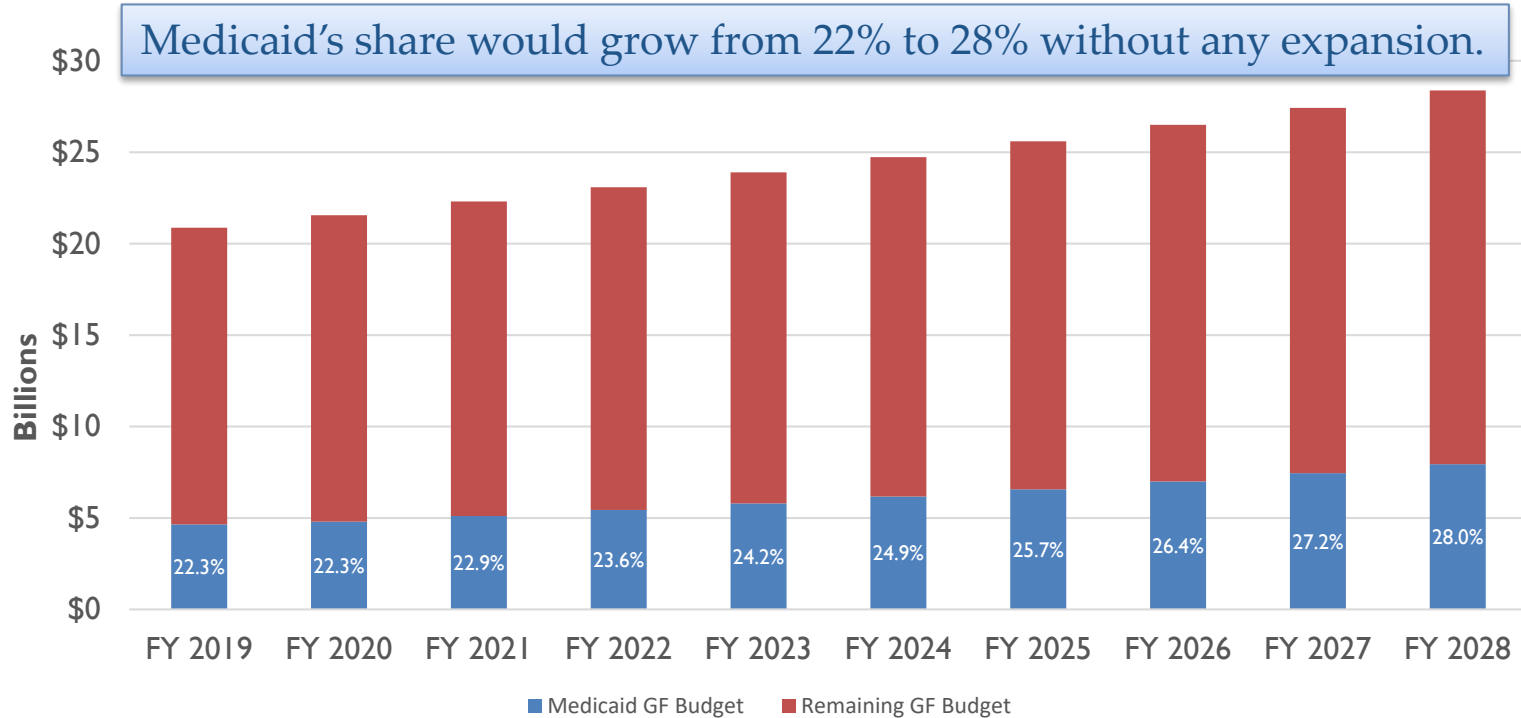
# Financial Impact

# Medicaid vs. GF Growth Rates





# Medicaid's Projected Share of GF Budget

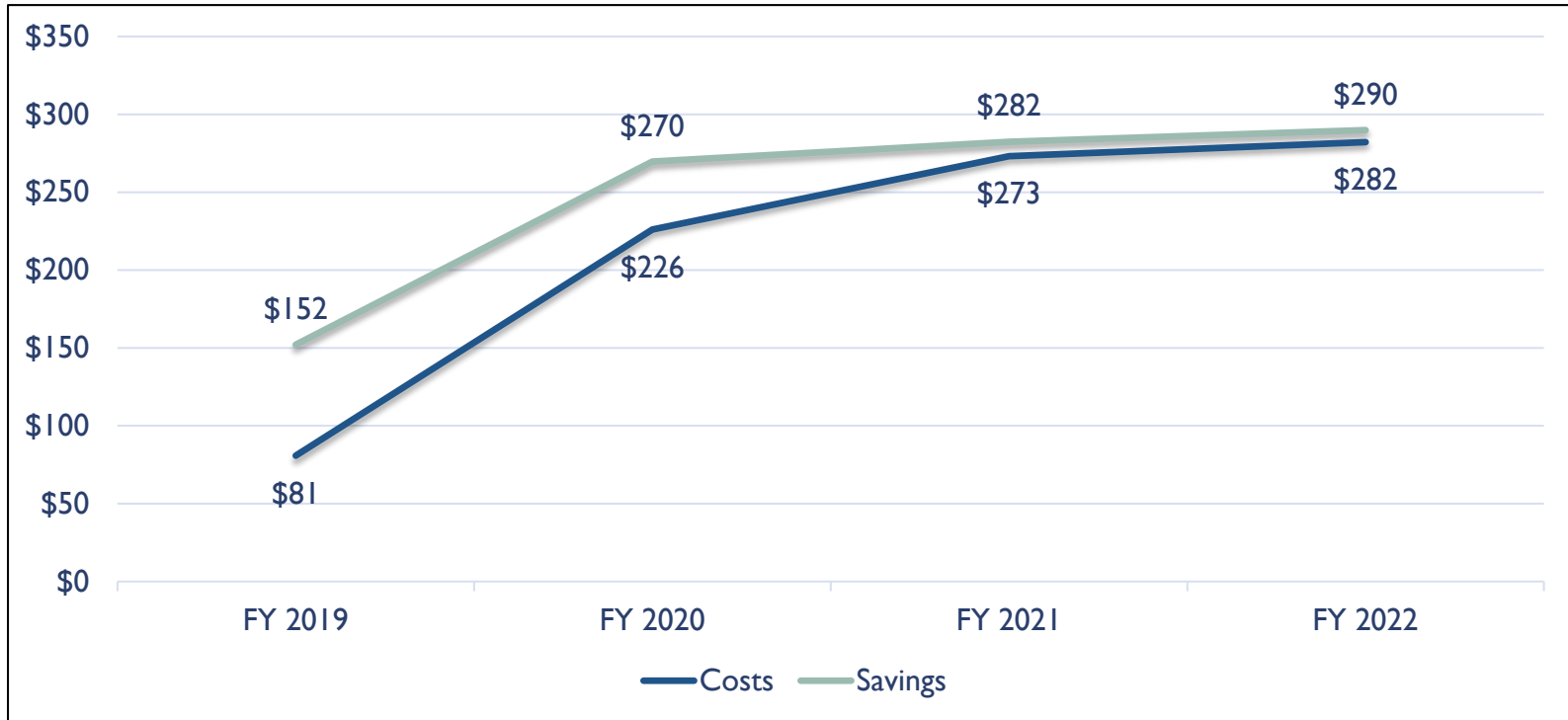


Assumptions: FY 2019 and FY 2020 reflect the introduced budget. FY 2021 and beyond reflect five-year prior average of 3.5% annual GF budget growth and 6.5% annual Medicaid growth.

# Medicaid Expansion Costs and Savings - Virginia

Item (\$ in millions)	FY 2019 State Costs	FY 2020 State Costs	FY 2019 Federal	FY 2020 Federal
Coverage of Newly Eligible Adults	\$62.9	\$200.2	929.9	2,194.5
Coverage of Woodwork (Currently Eligible)	0.9	4.9	0.9	4.9
Administrative Costs	13.5	19.8	53.3	64.9
<b><u>Total Costs</u></b>	<b><u>\$80.8</u></b>	<b><u>\$226.1</u></b>	<b><u>984.0</u></b>	<b><u>2,264.3</u></b>
Indigent Care Savings	(71.2)	(110.3)	(71.2)	(110.3)
State-funded Behavioral Health Services	(16.7)	(25.0)	-	-
Inpatient Hospital Costs of State Prisoners	(15.5)	(23.4)	-	-
Elimination / Substitution of State-funded Coverage for Newly Eligible	(48.7)	(111.0)	(50.7)	(116.4)
<b><u>Total Savings</u></b>	<b><u>(152.1)</u></b>	<b><u>(269.7)</u></b>	<b><u>(121.9)</u></b>	<b><u>(226.7)</u></b>

# Medicaid Expansion - Four-Year Financial Projection



Source: Department of Medical Assistance Services – August 2017 estimates.

# Alternative Medicaid Expansion Options Approved in Other States

# Method of State Medicaid Expansions

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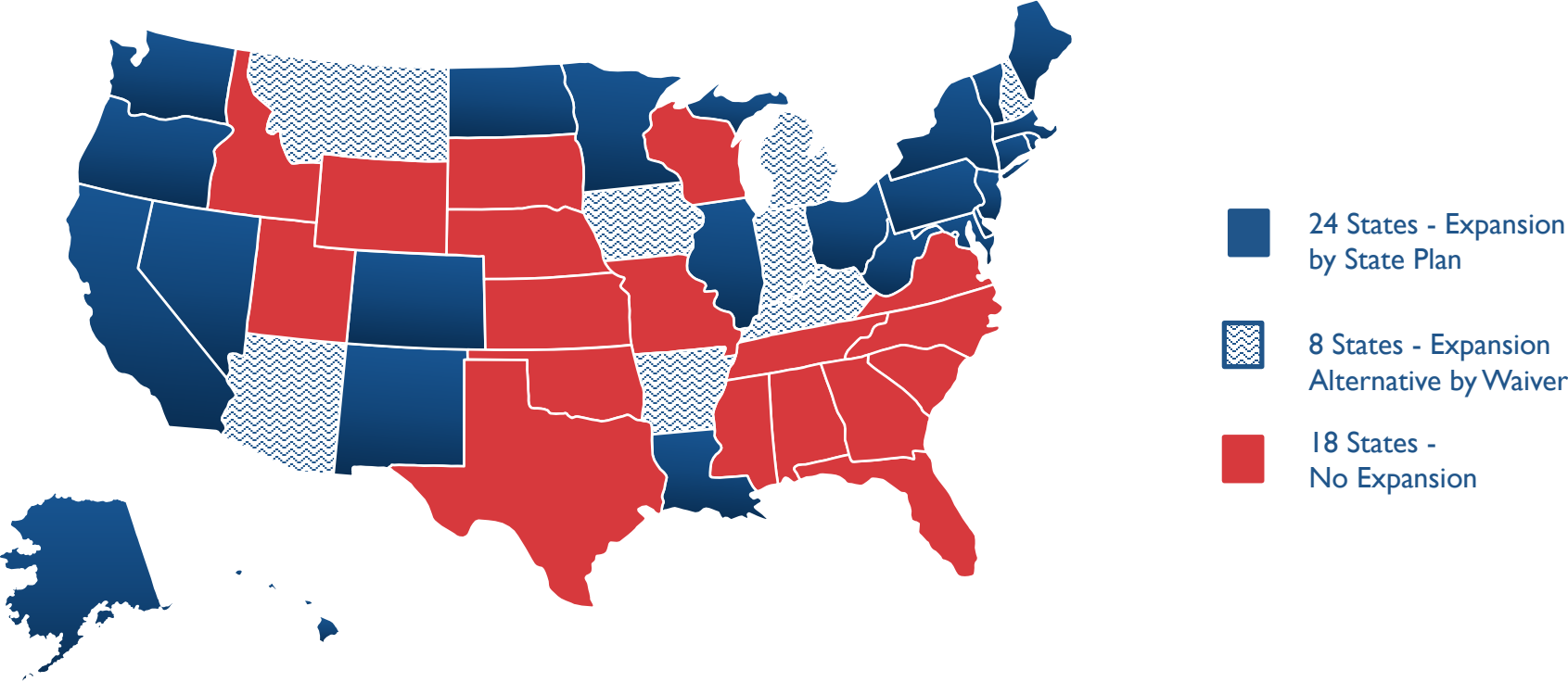
## State Plan Amendment

- Traditional Medicaid
- 24 states have used this method

## 1115 Waiver

- Modifies Medicaid Program
- 8 states have used this method

# States Choosing Alternative Medicaid Expansions



Source: National Academy for State Health Policy.

# Summary of Medicaid Expansion Proposals

Provision	Governor	House	Senate (Not Funded)
Proposal	Expand Medicaid pursuant ACA	Expand Medicaid pursuant ACA	Expand existing GAP waiver to serve most vulnerable individuals
Method	Expand through State Plan Amendment	Expand through State Plan Amendment and implement a waiver, if approved	Amend the existing GAP waiver
Population served	300,000 low-income non-disabled adults	300,000 low-income non-disabled adults	20,000 in GAP; 2,300 in waivers
Biennial Cost	\$307 million in state funds	\$307 million in state funds	Est. cost of \$273 million in state funds, when funds are available
Funding	\$307 million provider tax on hospitals	\$307 million provider tax on hospitals	General Fund
Work Requirement	None	Subject to federal approval, many exceptions, verification limited, lockout period for failure to comply	None
Protection from Reduced Federal Funds	Language to disenroll if federal match rate for expansion population changes	Language to disenroll if federal match rate for expansion population changes	Existing federal match, no protection necessary

# Elements of Alternative Medicaid Expansions

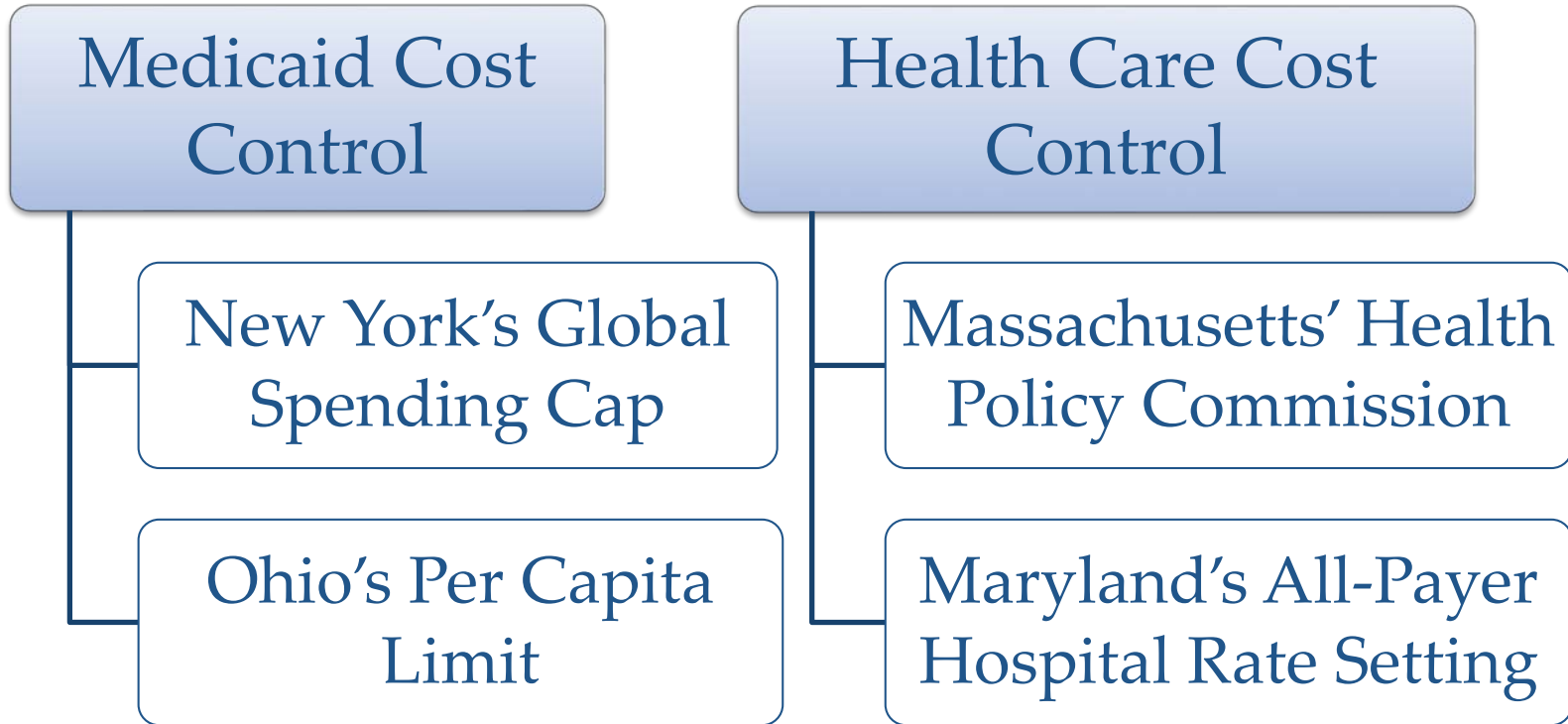
Provision	Description
Cost-sharing	Seven states require premium payments, typically around two percent of income and use a sliding scale. Five states disenroll individuals for failure to pay. Three states have lock-out periods as well. Indiana has a premium surcharge for tobacco users. At least one state charges higher co-pays for non-emergency use of emergency rooms.
Coverage Effective Date	Five states have waived retroactive eligibility (Medicaid covers health care costs incurred 90 days prior to application).
Health Savings Accounts	Two states use accounts similar to health savings accounts to help beneficiaries meet cost-sharing requirements.
Work Requirement	Four states (Kentucky, Indiana, Arkansas, and New Hampshire) have received approval. Typically, they require able-bodied recipients to work a certain number of hours per week or month or else lose their eligibility for Medicaid. One state has a grace period and some have frequent demonstrations of compliance.
Eligibility Determinations	Two states have lock-out periods for individuals that do not renew their eligibility in a timely manner.
Benefits and Healthy Behavior Incentives	Three states have eliminated the non-emergency transportation benefit. Six states promote healthy behaviors for beneficiaries that result in cost-sharing reductions when they, for example, complete a health risk assessment, annual wellness exam, etc.

Source: Kaiser Family Foundation.



# Cost Control in Other States

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# Provider Assessment



# Hospital Provider Assessment

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- Introduced budget and the House budget impose a provider assessment on net patient revenue of private hospitals to cover the actual costs of Medicaid Expansion.
  - Estimated to be a 0.5% assessment in FY 2019 and 1.4 % in FY 2020.
  - The revenue would be deposited into the Health Care Fund.
- Excludes public hospitals, freestanding psychiatric and rehabilitation hospitals, children's hospitals, long stay hospitals, long-term acute hospitals and critical access hospitals.

## Advantages

- Eliminates need for GF support.
- Helps to protect Virginia's AAA rating.
- Frees up all Medicaid Expansion savings for investment in other budget areas.

## Disadvantages

- Reduces hospital benefit from Medicaid Expansion.
- Impact varies by hospital, impacting some more than others.

# Fiscal Impact on Hospitals

Hospital Type	FY 2020 New Medicaid Expansion Revenue	FY 2020 Assessment	Fiscal Impact
All Private Acute	\$550.3 million	\$237.7 million	\$312.6 million
Urban	\$497.5 million	\$220.8 million	\$276.7 million
Rural	\$52.8 million	\$16.9 million	\$35.9 million
UVA and VCU	\$164.6 million	Exempt	\$164.6 million

*Note: Estimates are from the Department of Medical Assistance Services and do not take into account any loss of commercial business that would result from individuals whose coverage shifts from the federal marketplace to Medicaid. DMAS projects that 60,000 individuals will move from the federal marketplace to Medicaid as part of Medicaid Expansion.*

# Increasing Hospital Reimbursement

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- The Virginia Hospital and Healthcare Association continues to advocate for increasing hospital reimbursement to 88% of costs.
- Current reimbursement for inpatient services is approximately 71% and 70% for outpatient services.
- The state share would be paid through a provider assessment (in addition to the assessment to pay for the costs of Medicaid Expansion).
- Hospitals would receive net new revenue (accounting for the provider assessment to cover the state share) of \$126.9 million in FY 2019 and \$156.9 million in FY 2020. This is in addition to revenue received if the state chooses to expand Medicaid.

# Individual Health Insurance Market

# Senate Bills Related to Affordability in the Individual Market

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- In response to premium rate increases for 2018 ranging from 35% to 81%, the Senate advanced several bills to increase options for affordable health insurance:
  - **SB 672** redefines the meaning of small employer to include self-employed individuals.
  - **SB 844** promotes lower-cost short-term insurance policies, pending federal regulation, that will allow such policies to be effective for up to a year.
  - **SB 934 and SB 935** expand availability of association health plans to allow more Virginians to participate in insurance “pools”.
  - **SB 964** requests a federal waiver for broader access to lower-cost ACA catastrophic plans.
- These bills are pending final action by the Governor whose amendments were rejected at the April 18, 2018 Reconvened Session (except for SB 672 which the Governor signed into law).

# Options for Affordability in the Individual Market

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- **Reinsurance Program:**
  - State can request a Section 1332 Waiver to use federal savings from implementing a Reinsurance Program for the individual marketplace.
  - A reinsurance program pays a portion of high-cost claims to limit the financial exposure of the insurance companies and thereby reduce premiums.
  - Similar programs in other states have reduced premiums by up to 20%.
  - Will require state funds to fully fund the program (could use hospital or insurance assessment to fund the state share).
- **Limit Provider Rates to Medicaid Rates:**
  - Require providers to use the Medicaid Fee Schedule.
  - Would reduce claims costs of insurance companies and thereby reduce premiums in the individual marketplace.
  - Providers will likely oppose as it interferes in private sector negotiations of rates between providers and insurance companies.
  - May reduce rates more significantly than a reinsurance program.



# Update on Individual Insurance Market for 2019

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- Health insurers have submitted their initial rate filings to the Bureau of Insurance for the 2019 Plan Year.
  - The average rate change ranges from -1.9% to 64.3%.
  - Anthem HealthKeepers average change is 5.6%.
  - One new plan is entering the market (Virginia Premier), increasing the number of health insurers to eight for 2019.