

Testimony to the

# Senate Finance Committee

## Medicaid Subcommittee

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# The Request

- Compare total Medicaid spending without Medicaid expansion at its current growth trend (baseline) to Medicaid spending with Medicaid expansion and an annual growth rate similar to the three-year average for medical inflation
- Calculate at what point, if at all, Ohio all-funds spending and state share is less in the Medicaid expansion scenarios (with annual growth rate limited to 3.5% or 4%) than in the Medicaid baseline scenario
- Suggest potential strategies for bending the growth rate curve

# Spending scenarios

## Baseline

- **7.2%** annual growth **without Medicaid expansion** (based on average annual Medicaid growth rate from SFY 2004 to SFY 2012)

## Expansion

- **5%** annual growth rate (4% percent growth rate plus 1% to account for population growth) **with Medicaid expansion**
- **4.5%** annual growth rate (3.5% percent growth rate plus 1% to account for population growth) **with Medicaid expansion**

# Why 3.5 percent and 4 percent?

- **3.5 percent** = Estimate of current three-year average rate for the medical component of CPI
- **4 percent** = Estimate of current 10-year average rate for the medical component of CPI
- An additional **1 percent** was added to both scenarios to account for population growth

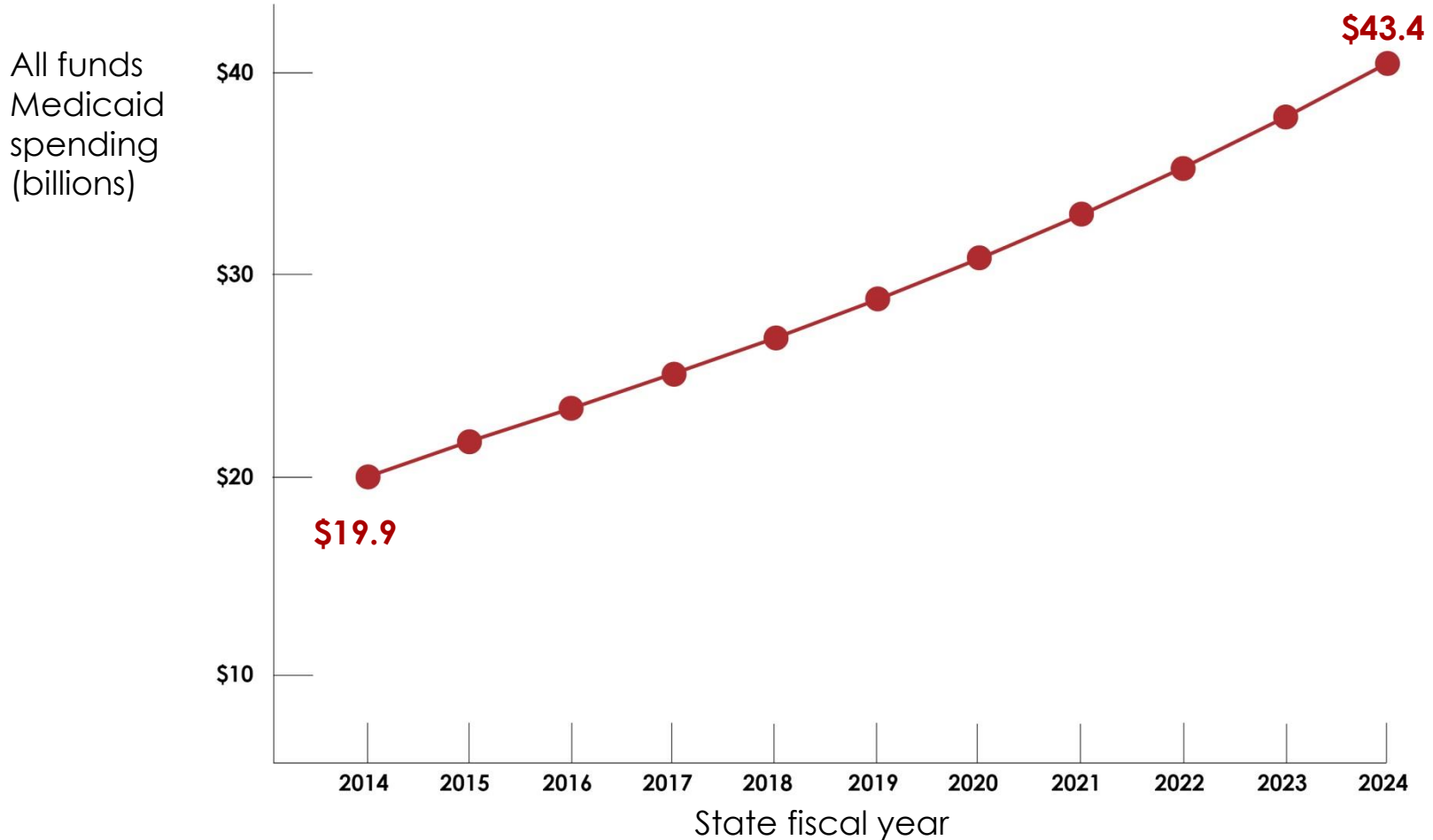
# Medicaid Baseline and Expansion Caseload Estimates

SFY 2012-2025

SFY	2012	2013	2014	2015	2016	2017	2018
<b>Baseline</b>	2,215,290	2,369,929	2,480,560	2,623,983	2,681,345	2,708,159	2,737,684
<b>Expansion</b>	2,215,290	2,369,929	2,759,361	3,247,148	3,371,327	3,405,042	3,441,535
SFY	2019	2020	2021	2022	2023	2024	2025
<b>Baseline</b>	2,761,792	2,790,219	2,818,121	2,846,302	2,874,765	2,903,513	2,932,548
<b>Expansion</b>	3,472,682	3,508,218	3,543,299	3,578,732	3,614,520	3,650,665	3,687,172

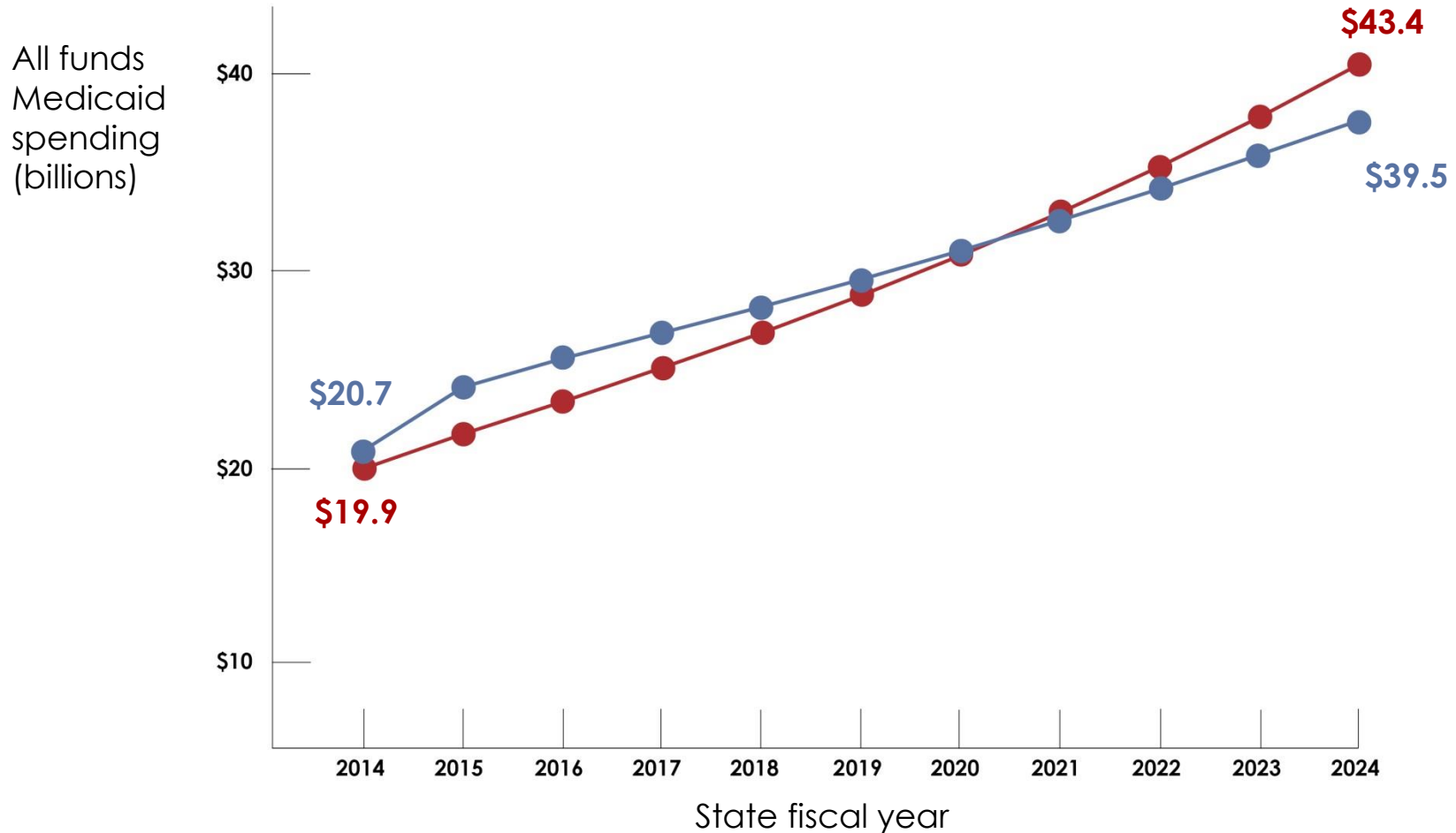
# With no expansion and current growth trend (baseline)

At the 7.2% spending growth trend with no Medicaid expansion, all funds Medicaid spending increases from \$19.85 billion in SFY 2014 to \$43.43 billion in SFY 2025



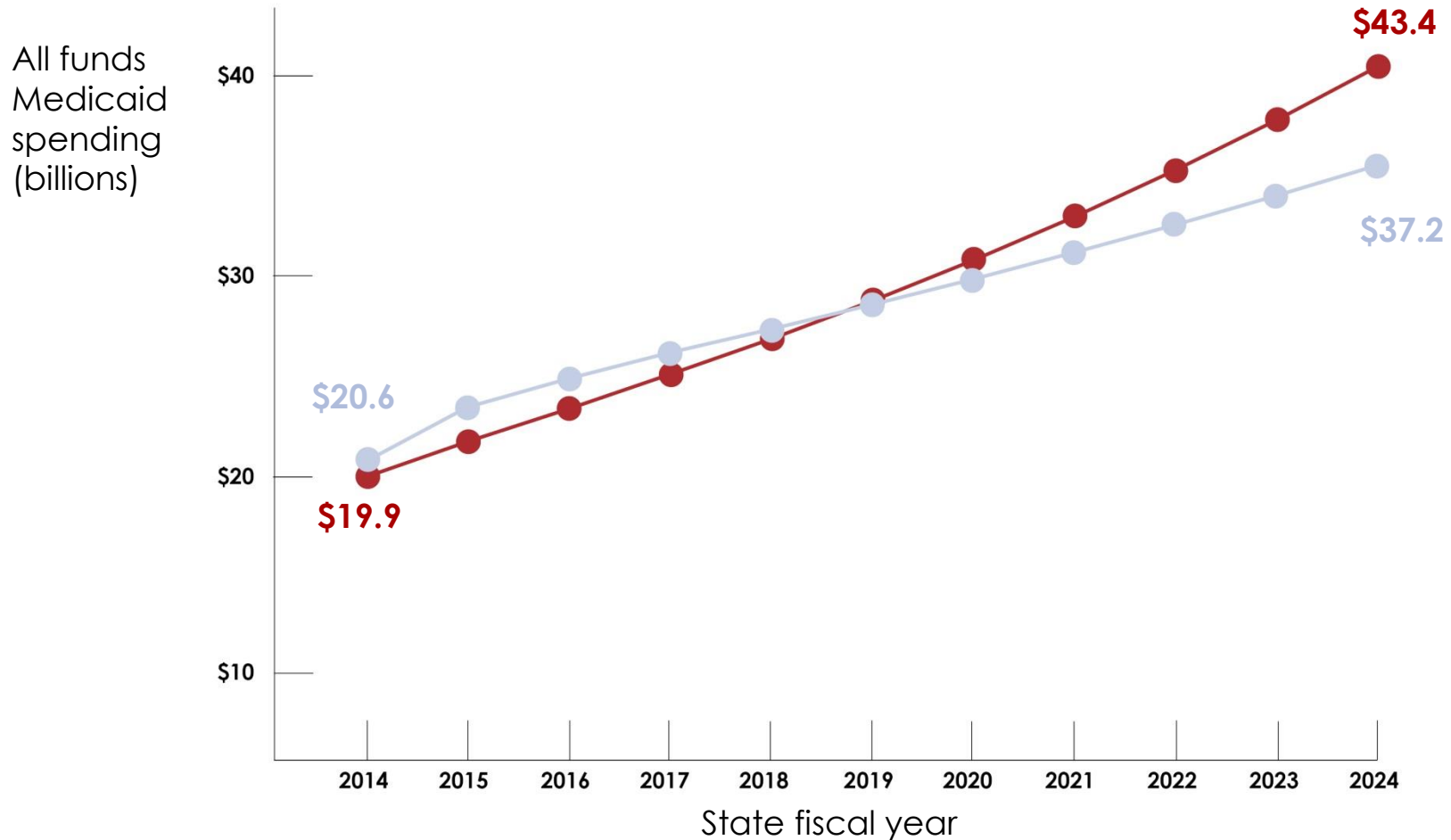
# With expansion and 5% growth rate

At the 4.0% spending growth rate (5.0% total increase), all funds Medicaid spending with expansion increases from \$20.74 billion in SFY 2014 to \$39.51 billion in 2025



# With expansion and 4.5% growth rate

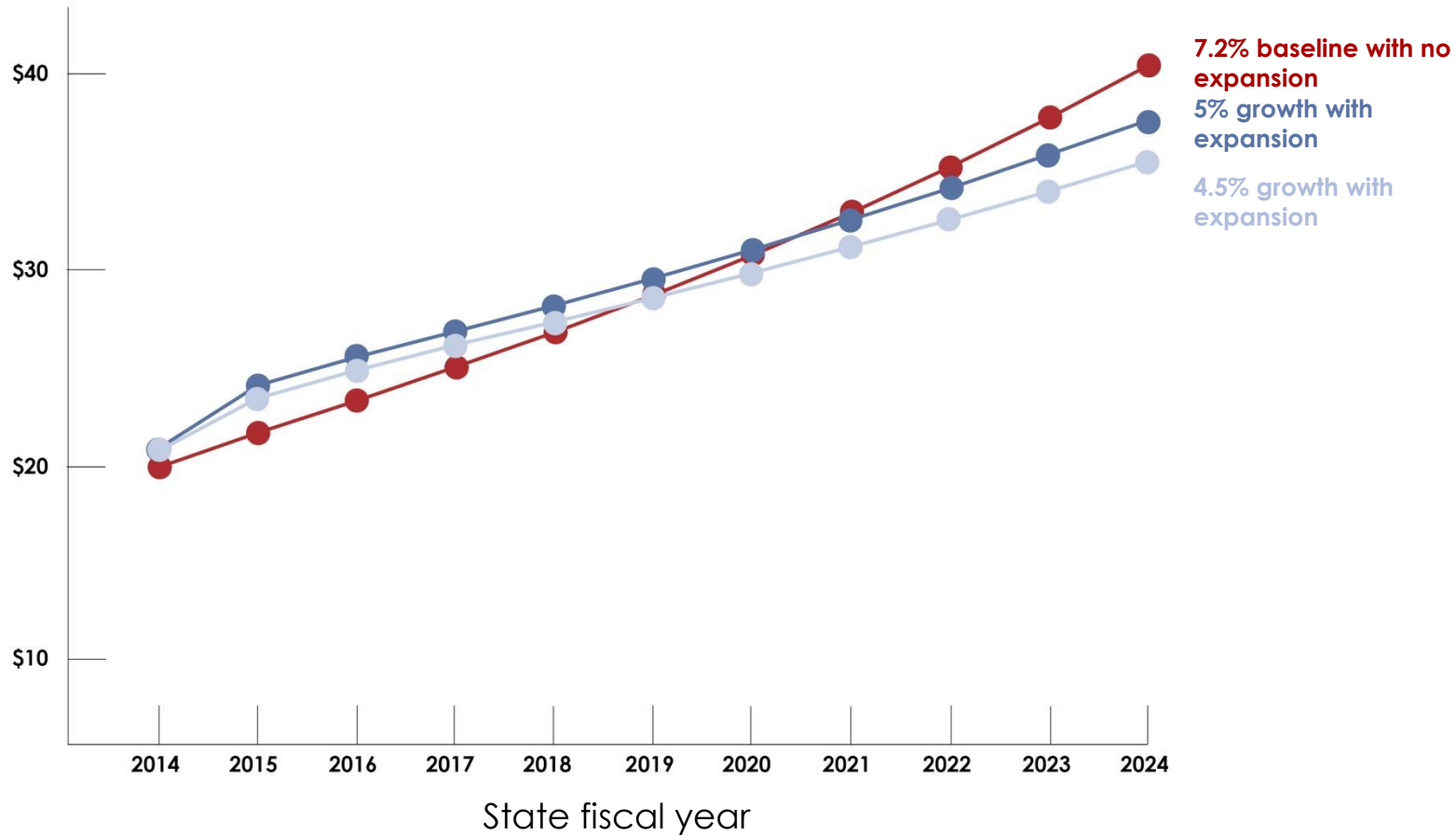
At the 3.5% spending growth rate (4.5% total increase), all funds Medicaid spending with expansion increases from \$20.64 billion in SFY 2014 to \$37.15 billion in 2025





# Spending scenario comparison

All funds  
Medicaid  
spending  
(billions)



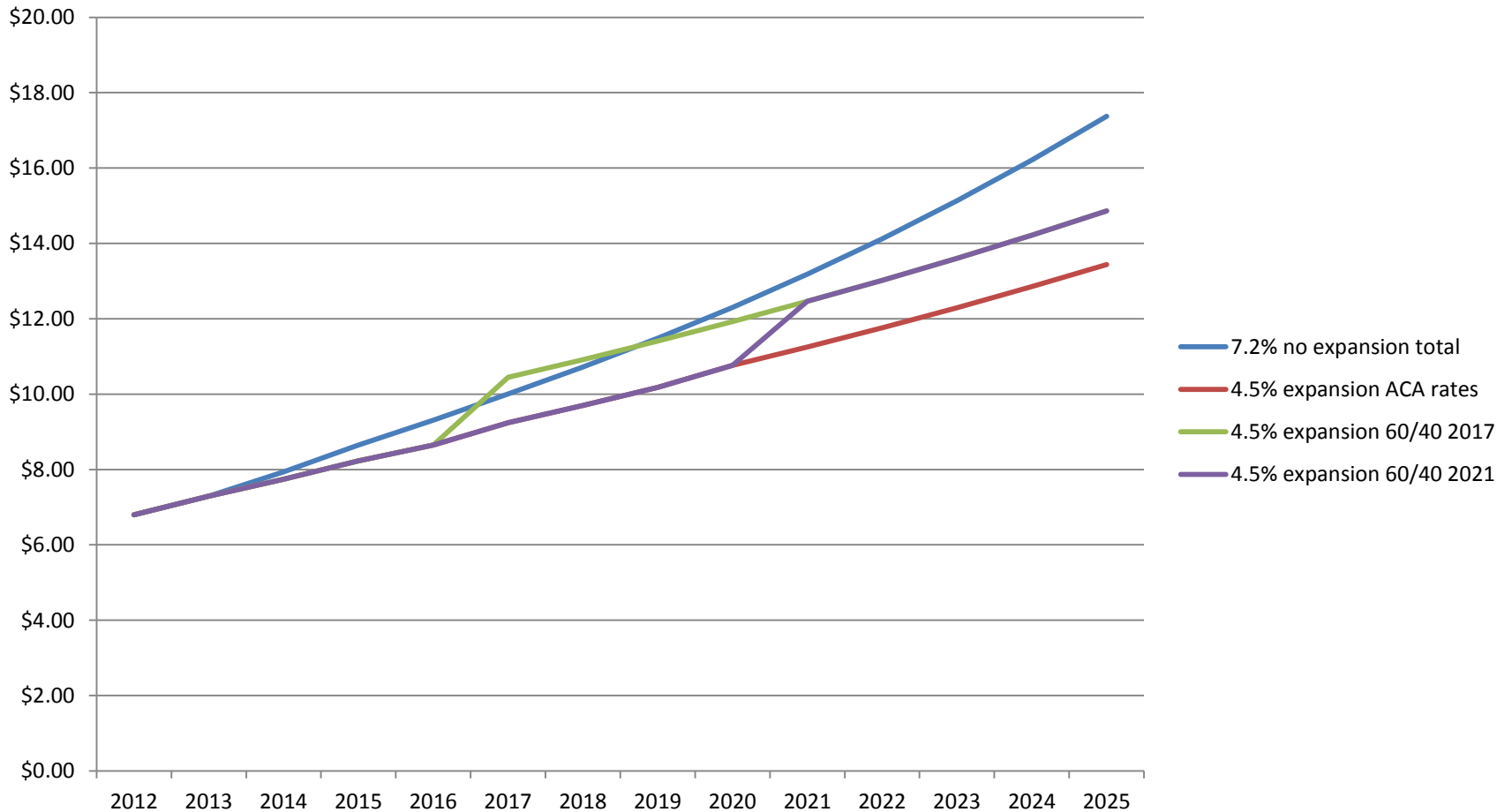
# All funds Medicaid spending comparison with and without Medicaid expansion (in billions)

SFY	Without 7.20%	With at 5.00%	With at 4.50%
2014	\$19.85	\$20.74	\$20.64
2015	\$21.62	\$23.98	\$23.36
2016	\$23.27	\$25.44	\$24.80
2017	\$25.01	\$26.76	\$26.11
2018	\$26.79	\$28.09	\$27.29
2019	\$28.71	\$29.49	<b>\$28.53</b>
2020	\$30.76	\$30.96	\$29.81
2021	\$32.95	<b>\$32.51</b>	\$31.16
2022	\$35.31	\$34.13	\$32.55
2023	\$37.83	\$35.87	\$34.02
2024	\$40.53	\$37.62	\$35.55
2025	\$43.43	\$39.51	\$37.15

# Difference in projected all funds spending at baseline compared to Medicaid expansion by year (in billions)

State fiscal year	4.5% rate	5% rate
2014	\$0.80	\$0.89
2015	\$1.74	\$2.36
2016	\$1.53	\$2.17
2017	\$1.11	\$1.75
2018	\$0.50	\$1.30
2019	-\$0.18	\$0.79
2020	-\$0.95	\$0.21
2021	-\$1.80	-\$0.45
2022	-\$2.75	-\$1.18
2023	-\$3.81	-\$2.00
2024	-\$4.98	-\$2.91
2025	-\$6.28	-\$3.92

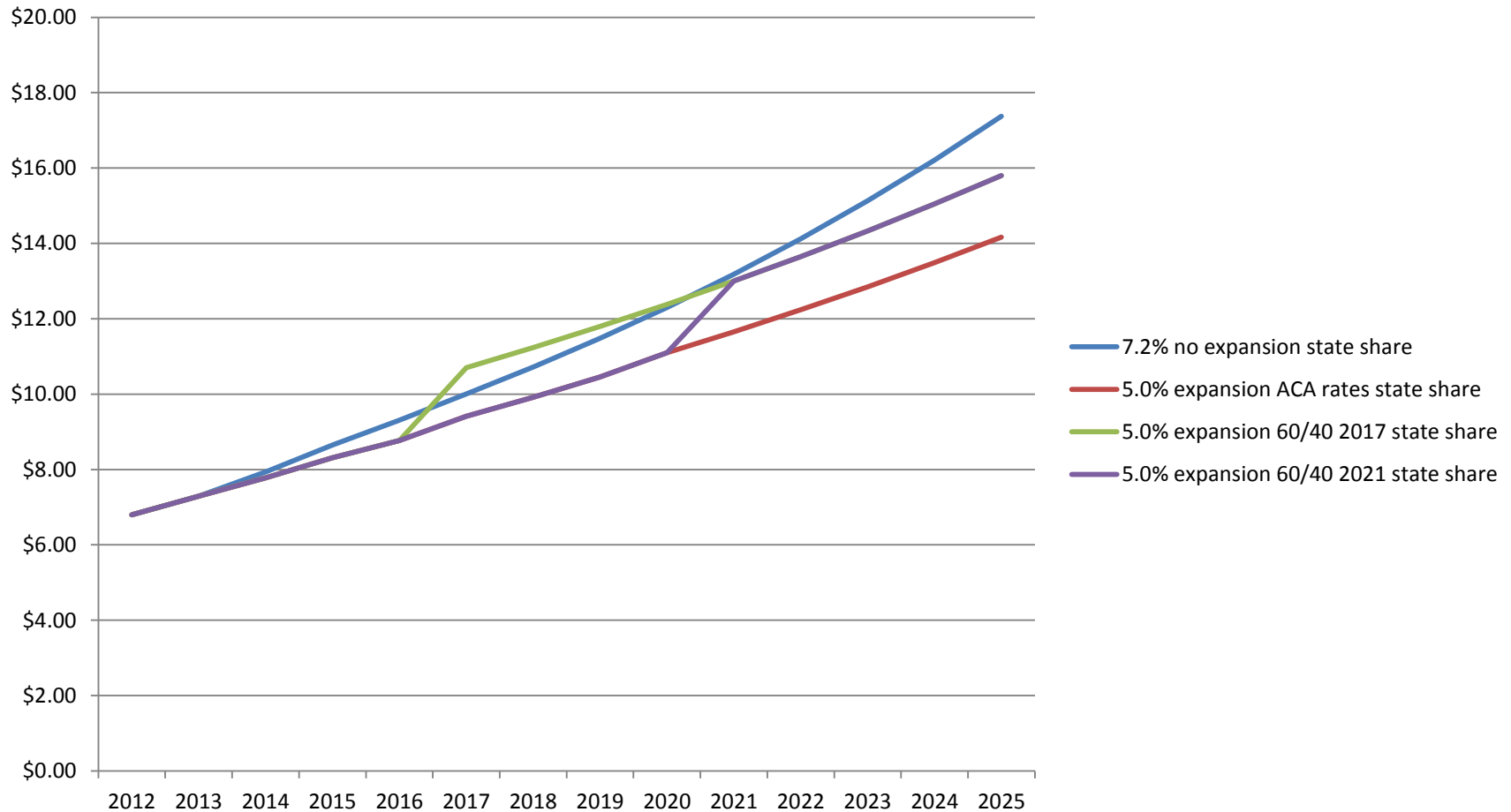
# State share comparison at different federal match rates: 4.5% spending rate (in billions)



# Difference in state-share obligation between expansion at 4.5% rate and baseline Medicaid spending at different expansion state-share match rates (in billions)

SFY	At ACA rate all years	At 60/40 in 2021	At 60/40 in 2017
2014	-\$0.20	-\$0.20	-\$0.20
2015	-\$0.42	-\$0.42	-\$0.42
2016	-\$0.66	-\$0.66	-\$0.66
2017	-\$0.76	-\$0.76	<b>\$0.44</b>
2018	-\$1.02	-\$1.02	<b>\$0.20</b>
2019	-\$1.30	-\$1.30	-\$0.07
2020	-\$1.54	-\$1.54	-\$0.38
2021	-\$1.93	-\$0.22	-\$0.22
2022	-\$2.36	-\$1.10	-\$1.10
2023	-\$2.84	-\$1.52	-\$1.52
2024	-\$3.36	-\$1.99	-\$1.99
2025	-\$3.93	-\$2.51	-\$2.51

# State share comparison at different match rates: 5.0% spending rate (in billions)



# Difference in state-share obligation between expansion at 5% rate and baseline Medicaid spending at different expansion state-share match rates (in billions)

SFY	At ACA rate all years	At 60/40 in 2021	At 60/40 in 2017
2014	-\$0.16	-\$0.16	-\$0.16
2015	-\$0.34	-\$0.34	-\$0.34
2016	-\$0.54	-\$0.54	-\$0.54
2017	-\$0.59	-\$0.59	<b>\$0.70</b>
2018	-\$0.80	-\$0.80	<b>\$0.52</b>
2019	-\$1.03	-\$1.03	<b>\$0.31</b>
2020	-\$1.20	-\$1.20	<b>\$0.08</b>
2021	-\$1.53	-\$0.18	-\$0.18
2022	-\$1.89	-\$0.47	-\$0.47
2023	-\$2.28	-\$0.80	-\$0.80
2024	-\$2.72	-\$1.16	-\$1.16
2025	-\$3.21	-\$1.57	-\$1.57

# What are potential sources of funds to offset higher state cost, if needed?

- **Managed care sales tax revenues** due to Medicaid expansion
- **Prescription drug rebates** due to Medicaid expansion
- **Less state share** than estimated due to higher state-share rates for certain populations
- state-share savings from anticipated **23 percentage point increase in CHIP** from SFY 2015 to SFY 2019
- **Lower than estimated Medicaid enrollment** either through:
  - Some people not getting Medicaid coverage as they get coverage through the Exchange
  - Some people who leave Medicaid earlier for private coverage as their income increases



# What are potential sources of funds to offset higher state cost, if needed?

- New general income and sales **tax revenue generated through spending of new federal dollars related to Medicaid expansion**
- New general income and sales **tax revenue generated through spending of new federal dollars related to currently eligible, not enrolled who enroll** without Medicaid expansion
- **Banking funds** earned and/or savings in SFY 2014 – SFY 2016 to spend in later years
- **Managed care sales tax and prescription drug rebate revenues** on currently eligible, not enrolled who enroll without expansion

# What is not included in these projections?

- They do not assume any reduction in Medicaid spending due to reduced caseload of people who leave Medicaid because of policy changes or who choose to obtain care on the health insurance marketplaces
- They do not assume any Medicaid savings from some people shifting from regular Medicaid match to ACA-level match
- They do not account for any additional state revenue generated by Medicaid expansion
- They do not account for any population growth changes due to either an improving economy or a worsening economy

Improvement goal 1

**Create incentives for people to follow a pathway from Medicaid coverage to private health insurance coverage**

## Improvement goal 2

**Enact/move forward on strategies that move the Medicaid program toward sustainability and predictability**

# Appendix

# Methodology

# What is the baseline growth trend for existing Medicaid spending?

- Estimated existing spending trend for periods SFY 2004 to SFY 2012 and SFY 2008 to SFY 2012
- Calculated average growth rate across both periods
- Average growth rate was 7.2% for the period SFY 2004 to SFY 2012 and 7.7% for the period SFY 2008 to SFY 2012
- For a conservative cost savings estimate, chose to use the lower trend line for this analysis

# How was total baseline Medicaid spending calculated?

- Inflated existing Medicaid spending by 7.2% per year from SFY 2012 to SFY 2025
- Added new baseline cost from currently eligible, not enrolled projected to enroll in Medicaid due to effects related to the Affordable Care Act (ACA) for each year from SFY 2014 to SFY 2025
- Under this calculation total all funds non-expansion Medicaid spending will increase from \$17.01 billion in SFY 2012 to \$43.43 billion in SFY 2025



# **How was expected spending of currently eligible but not enrolled who enroll due to the ACA calculated?**

- Used estimates from OSU's modeling of this population from February 2013
- Model used take-up rate assumptions and spending growth estimates from Milliman's 2011 analysis on Medicaid expansion in Ohio
- Population estimate of potential total currently eligible, not enrolled derived from 2012 Ohio Medicaid Assessment Survey
- Spending growth for this population was assumed to be 4.6% per year with a 1% increase for population growth (5.6% overall)

# How was total spending under the Medicaid expansion scenario calculated?

- Created two spending growth scenarios
  - Spending grows at 3.5% per year plus a 1% increase for total population growth (4.5% per year increase)
  - Spending grows at 4.0% per year plus a 1% increase for total population growth (5.0% per year increase)
  - These growth rates reflect recent range of three-year average for medical inflation
- Estimated total existing Medicaid spending at both growth rates
- Added estimated non-expansion spending for the currently eligible, but not enrolled at both growth rates
- Added estimate for expansion-related spending for newly eligibles and additional currently eligible, but not enrolled at both growth rates

## **How was Medicaid expansion spending calculated?**

- Used estimates from OSU's modeling of this population from February 2013
- Model used take-up rate assumptions and spending growth estimates from Milliman's 2011 analysis on Medicaid expansion in Ohio
- Population estimate of potential Medicaid expansion derived from 2012 Ohio Medicaid Assessment Survey
- Included an estimate of additional currently eligible, not enrolled who enroll as a result of Medicaid expansion effects
- Spending growth for this population was assumed to be 4.6% per year with a 1% increase for population growth (5.6% overall)

# How were all funds baseline and Medicaid expansion spending estimates compared?

- Subtract annual Medicaid expansion spending projection from annual Medicaid baseline spending projection
- At the 5% spending rate, all funds spending with Medicaid expansion is:
  - higher than baseline from SFY 2014 to SFY 2020 and then increasingly lower from SFY 2021 through SFY 2025
  - projected to be \$3.9 billion less than baseline spending in SFY 2025
- For the 4.5% spending rate, all funds spending with Medicaid expansion is:
  - higher than baseline for SFY 2014 through SFY 2018
  - Projected to be \$6.2 billion less than baseline spending in SFY 2025

# How was state-share spending calculated?

- Assumes a 60/40 match rate for all existing and non-expansion Medicaid spending
  - This estimate overstates Ohio's state share because there are some spending that receives a higher regular match rate, such as CHIP or breast and cervical cancer recipients
- For Medicaid expansion scenarios, assumes 60/40 for all non-expansion spending and different state match rate options for Medicaid expansion newly eligibles:
  - At ACA enhanced match rate through SFY 2025
  - At ACA rate until 2017, then 60/40 match rate
  - At ACA rate until 2020, the 60/40 match rate
  - At 60/40 match rate from 2014

# How was the state-share obligation compared?

- Subtract state-share baseline Medicaid spending obligation from the different “with expansion” state-share obligations
- At the ACA match rate and the 60/40 match rate beginning in 2021, Ohio’s state-share obligation is less than the baseline amount for all years for either spending growth rate scenario
- At the 60/40 rate beginning in 2017, Ohio has an increased state-share obligation:
  - For SFY 2017 and SFY 2018 at the 4.5% spending trend
  - For SFY 2017 through SFY 2020 at the 5.0% spending trend

# Additional data

**Projected funds from prescription rebates and managed care tax due to Medicaid expansion only at 60/40 match in 2017 and 5% growth rate** (in millions)

state fiscal year	managed care tax revenues	prescription rebate revenues	total revenues
2014	\$48	\$1	\$49
2015	\$138	\$3	\$141
2016	\$170	\$5	\$175
2017	\$189	\$122	\$310
2018	\$200	\$131	\$331
2019	\$210	\$138	\$348
2020	\$220	\$144	\$365
2021	\$231	\$151	\$382
2022	\$243	\$158	\$401
2023	\$256	\$166	\$422
2024	\$269	\$174	\$443
2025	\$284	\$183	\$466



# Projected funds from prescription rebates and managed care tax due to Medicaid expansion only at 60/40 match in 2017 and 4.5% growth rate (in millions)

state fiscal year	managed care tax revenues	prescription rebate revenues	total revenues
2014	\$48	\$1	\$49
2015	\$137	\$3	\$140
2016	\$169	\$5	\$174
2017	\$186	\$120	\$306
2018	\$197	\$129	\$325
2019	\$205	\$134	\$340
2020	\$215	\$140	\$355
2021	\$224	\$146	\$370
2022	\$234	\$152	\$386
2023	\$245	\$159	\$404
2024	\$257	\$166	\$423
2025	\$269	\$174	\$443

# Comparison of projected state-share spending needed and new expansion managed care tax and prescription rebate revenues at 5.0% and 4.5% growth rates at 60/40 match rate starting in 2017

(in millions)

state fiscal year	new state-share cost at 5% trend	new revenues	difference
2017	\$702	\$310	\$392
2018	\$519	\$331	\$188
2019	\$314	\$348	-\$34
2020	\$83	\$365	-\$282
state fiscal year	new state-share cost at 4.5% trend	new revenues	difference
2017	\$442	\$306	\$136
2018	\$199	\$325	-\$126

# Projected state-share savings and new managed care and prescription drug rebates funds for SFY 2014-2016 at 5.0% and 4.5% scenarios (in millions)

state fiscal year	lower state-share cost at 5.0% trend	new revenues	total
2014	\$160	\$49	\$209
2015	\$340	\$141	\$481
2016	\$538	\$175	\$713
Total	\$1,038	\$365	\$1,403
state fiscal year	lower state-share cost at 4.5% trend	new revenues	total
2014	\$197	\$49	\$246
2015	\$417	\$140	\$557
2016	\$662	\$174	\$836
Total	\$1,276	\$363	\$1,639