

Idaho Medicaid Expansion Population and Cost Forecast Initial Update

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Key Revisions

- Revised Enrollment and Cost Projections
 - Including updated census data, observed currently eligible and newly enrolled increases, observed Foster Care expansion.
 - Updated assumed managed expansion Medicaid payment rates.
 - Current projection of cost offsets.
- Private Pay (Option #4) Expansion Model
 - Created an Option (#4) that projects costs under a scenario where expansion members enroll with plans in the commercial exchange.

Scope of Work

- Three Scenarios:
 - No Expansion (Option 1)
 - 138% Medicaid Managed Care Expansion (Option 3)
 - 138% Commercial Exchange Expansion (Option 4)
- Enrollment Forecast (including 2014 observed changes)
 - Currently Eligible Newly Enrolled (Woodwork)
 - Foster Care
 - Expansion
 - CHIP
 - 85% Take-up Rate for Uninsured; 30% for Insured

Scope of Work (continued)

- Cost Projection
 - FMAP Variation Over Time
 - Demographic Mix
 - Cost Offsets
 - Administration
 - Foster Care
 - CHIP
 - Physician PCP Increase
 - Exchange Rates
 - Current Costs for Basic Enrollment
 - Observed Managed Medicaid Expansion Rates

Enrollment Forecast

- Sources
 - 2012 Census Data
 - Idaho Division of Welfare
 - Leavitt Partners Report (2010)
 - Idaho Department of Health and Welfare

- Currently eligible but not enrolled
 - Mostly children
 - Independent of expansion decision
 - Currently uninsured and insured populations
 - Accounted for 2014 Changes

Enrollment Forecast (continued)

- Expansion (newly eligible band on 138% FPL)
 - Childless adults and additional parents
 - Currently insured and uninsured
- Other
 - CHIP
 - Foster care
- Trend (Annual enrollment growth of 2.05%)

Idaho Department of Health and Welfare
Estimated Impact on Projected 1/1/2016 Enrollment

	Presented 6/18/2014
<u>Mandatory Expansion</u>	
Children (CHIP conversion to Medicaid)	11,159 *
Adult, Parents	-
<u>Optional Expansion (138% FPL)</u>	
Adults, Parents	60,897 **
Adults, Non-Caregivers	41,976
<u>Expansion Subtotal (Mandatory and Optional)</u>	
Children	11,159
Adults	102,873
<u>Currently Eligible, Not Enrolled</u>	
Children	19,738
Adults, Parents	5,243
Total	139,013

* These children are currently enrolled in Idaho's CHIP program and are merely transferring their coverage to Medicaid as a result of eligibility changes in the Affordable Care Act. Per the February 2013 guidance from CMS, the CHIP enhanced matching rate will continue to be available for these children, so there is no fiscal impact to the state of Idaho resulting from this transfer.

** Eligible due to increased FPL to 138%.

Cost Projections

FMAP Variations

- Currently Eligible, not enrolled (woodwork) @ FMAP standard rates
- Optional Expansion @ 100% 2014-2016 scaling to 90% as of 1/1/2020
- CHIP Converted to Medicaid CHIP @ 100% 10/1/15 through 9/30/19
- Foster care @ standard rates

<u>FMAP Rates</u>	<u>SFY 2014</u>	<u>SFY 2015</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2021</u>
Current Medicaid FMAP	70%	70%	70%	70%	70%	70%	70%	70%
Expansion FMAP	100%	100%	100%	98%	95%	94%	92%	90%
Current CHIP FMAP	80%	80%	80%	80%	80%	80%	80%	80%
Enhanced CHIP FMAP	80%	80%	95%	100%	100%	100%	85%	80%

No Change After SFY 2021

Cost Projections (continued)

- Starting Medical Costs
 - State Fiscal Year 2016 Assumed Managed Care Rates

Idaho Department of Health and Welfare
SFY 2016 PMPM Costs (Managed Care) by Age/Gender Band

<u>Age Band</u>	<u>Male</u>	<u>Female</u>	<u>Composite</u>
18 to 24	\$341.53	\$651.87	\$519.35
25 to 34	\$348.10	\$664.41	\$519.09
35 to 44	\$469.87	\$716.53	\$593.81
45 to 54	\$591.63	\$634.72	\$607.95
55 to 59	\$591.63	\$703.14	\$689.47
60 to 64	\$591.63	\$703.14	\$685.76
Adult	\$418.07	\$676.22	\$559.46

- For expansion population
- Cost Projection Trends
 - 2.5% annually beyond calendar year 2014

Cost Projections (continued)

- Starting Medical Costs
 - State Fiscal Year 2016 Exchange Rates

Exchange Rates (2nd Lowest Silver Plan PMPMs) SFY 2016 PMPM Costs by Age Band			
Age Band	Male	Female	Composite
18 to 24	\$296.14	\$296.14	\$296.14
25 to 34	\$388.74	\$388.74	\$388.74
35 to 44	\$445.82	\$445.82	\$445.82
45 to 54	\$607.27	\$607.27	\$607.27
55 to 59	\$833.29	\$833.29	\$833.29
60 to 64	\$982.12	\$982.12	\$982.12
Adult	\$423.48	\$457.68	\$442.13

- For expansion population in Option 4 – Private Option
- Note due to risk mix differences current exchange rates are below projected Medicaid expansion, we expect corrections to exchange rates if Option #4 is implemented.
- Cost Projection Trends
 - 7.5% annually to calendar year 2015
 - 10.0% annually from calendar year 2015 to 2018
 - 7.5% annually beyond calendar year 2018

Cost Projections (continued)

- Idaho Department of Health and Welfare Administrative Costs
 - 3.5% of additional medical service costs (based on Option #3)
 - 50% FMAP
 - Administrative costs increase even if FMAP at 100% of medical cost
- Exchange Premium Rates
 - Minimum Medical Loss Ratio of 80%
 - Limits Administrative Expenses for QHP

State and Local Cost Offsets

- Expanded Medicaid coverage will reduce costs in other programs.
 - State CAT Program 100% reduction.
 - Medical Indigent Program 100% reduction.
 - Behavioral Health / Public Health 100%.
 - Also added at State’s request a scenario where these programs are eliminated.
- No impact from woodwork or covered populations.

<u>Potential State and Local Offsets</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	.....	<u>SFY 2025</u>	<u>Cumulative Total</u>
CAT Program (State)	\$35.6	\$37.3	\$39.1	\$40.9		\$54.2	\$443.1
Medical Indigent (County)	\$24.7	\$25.7	\$26.7	\$27.8		\$35.1	\$296.5
Medical Ind (County Admin)	\$6.1	\$6.3	\$6.6	\$6.8		\$8.0	\$71.3
Behavior Health (DHW)	\$9.7	\$9.7	\$9.7	\$9.7		\$9.7	\$96.5
Public Health (DHW)	\$0.8	\$0.8	\$0.8	\$0.8		\$0.8	\$8.0
Total	\$76.8	\$79.7	\$82.8	\$86.0		\$107.8	\$915.4
 Total Local and State Spend*:	 <u>\$97.6</u>	 <u>\$99.6</u>	 <u>\$103.2</u>	 <u>\$106.9</u>		 <u>\$139.1</u>	 <u>\$1,172.4</u>

*Includes total mandatory expansion costs

Revised Option 1 Projection (6/18/2014)

Projected Mandatory Expansion Costs State and Local Dollars Only (Values in Millions)

<u>Option # 1: No Optional Expansion</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	.....	<u>SFY 2025</u>	Cumulative <u>Total</u>
Mandatory Expansion Claim Costs:							
Currently Eligible, Not Enrolled	\$17.8	\$18.3	\$18.7	\$19.2		\$22.3	\$199.6
Mandatory Expansion	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Foster Care	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.4
Physician	\$5.9	\$6.0	\$6.2	\$6.3		\$7.4	\$66.0
CHIP	(\$4.2)	(\$5.8)	(\$5.9)	(\$6.1)		\$0.0	(\$23.5)
Administration (DHW) Costs:	\$1.3	\$1.3	\$1.4	\$1.4		\$1.6	\$14.4
 Total Mandatory Expansion Costs	 \$20.8	 \$19.9	 \$20.4	 \$20.9		 \$31.3	 \$257.0
<u>Projected Offsets and Savings</u>							
CAT Program (State)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Medical Indigent (County)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Medical Ind (County Admin)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Behavior Health (DHW)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Public Health (DHW)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
 Total Local and State Offset:	 \$0.0	 \$0.0	 \$0.0	 \$0.0		 \$0.0	 \$0.0
 Option # 1: No Optional Expansion							
Total Cost	\$20.8	\$19.9	\$20.4	\$20.9		\$31.3	\$257.0

Revised Option 3 Projection (6/18/2014)

Projected Additional Optional Expansion Costs State and Local Dollars Only (Values in Millions)

Option # 3: State Plan Option (Managed Care)	SFY 2016	SFY 2017	SFY 2018	SFY 2019	.....	SFY 2025	Cumulative Total
<u>Additional Expanding Spending:</u>							
Optional Expansion Claim Costs:	\$0.0	\$18.2	\$40.9	\$49.6		\$88.5	\$596.4
Administration (DHW) Costs:	\$12.1	\$12.4	\$12.7	\$13.0		\$15.1	\$135.5
Total Additional Expansion Costs	\$12.1	\$30.5	\$53.6	\$62.6		\$103.6	\$731.8
<u>Projected Offsets and Savings</u>							
CAT Program (State)	(\$35.6)	(\$37.3)	(\$39.1)	(\$40.9)		(\$54.2)	(\$443.1)
Medical Indigent (County)	(\$24.7)	(\$25.7)	(\$26.7)	(\$27.8)		(\$35.1)	(\$296.5)
Medical Ind (County Admin)	(\$5.5)	(\$5.7)	(\$5.9)	(\$6.1)		(\$7.2)	(\$64.2)
Behavior Health (DHW)	(\$9.7)	(\$9.7)	(\$9.7)	(\$9.7)		(\$9.7)	(\$96.5)
Public Health (DHW)	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)		(\$0.8)	(\$8.0)
Total Local and State Offset:	(\$76.2)	(\$79.1)	(\$82.1)	(\$85.3)		(\$107.0)	(\$908.3)
Option # 3: State Plan Option (Managed Care) (Excluding Mandatory Expansion)							
Marginal Cost	(\$64.1)	(\$48.5)	(\$28.5)	(\$22.7)		(\$3.5)	(\$176.4)

**DHW indicated an administrative load of 3.5% of medical costs is a reasonable assumption. This figure is consistent with our experience in other states. Current FMAP rate assumption is 50%. However, CMS has issued communications that costs associated with the expansion population may receive enhanced FMAP rate of 75%.*

Option 4 Projection (6/18/2014)

Projected Additional Optional Expansion Costs State and Local Dollars Only (Values in Millions)							
Option # 4: Private Option	SFY 2016	SFY 2017	SFY 2018	SFY 2019	.....	SFY 2025	Cumulative Total
<u>Additional Expanding Spending:</u>							
Optional Expansion Claim Costs:	\$1.6	\$17.0	\$38.7	\$49.1		\$117.2	\$680.9
Administration (DHW) Costs:	\$12.1	\$12.4	\$12.7	\$13.0		\$15.1	\$135.5
Total Additional Expansion Costs	\$13.7	\$29.4	\$51.4	\$62.1		\$132.3	\$816.4
<u>Projected Offsets and Savings</u>							
CAT Program (State)	(\$35.6)	(\$37.3)	(\$39.1)	(\$40.9)		(\$54.2)	(\$443.1)
Medical Indigent (County)	(\$24.7)	(\$25.7)	(\$26.7)	(\$27.8)		(\$35.1)	(\$296.5)
Medical Ind (County Admin)	(\$5.5)	(\$5.7)	(\$5.9)	(\$6.1)		(\$7.2)	(\$64.2)
Behavior Health (DHW)	(\$9.7)	(\$9.7)	(\$9.7)	(\$9.7)		(\$9.7)	(\$96.5)
Public Health (DHW)	(\$0.8)	(\$0.8)	(\$0.8)	(\$0.8)		(\$0.8)	(\$8.0)
Total Local and State Offset:	(\$76.2)	(\$79.1)	(\$82.1)	(\$85.3)		(\$107.0)	(\$908.3)
Option # 4: Private Option (Excluding Mandatory Expansion)							
Marginal Cost	(\$62.4)	(\$49.7)	(\$30.7)	(\$23.1)		\$25.3	(\$91.9)

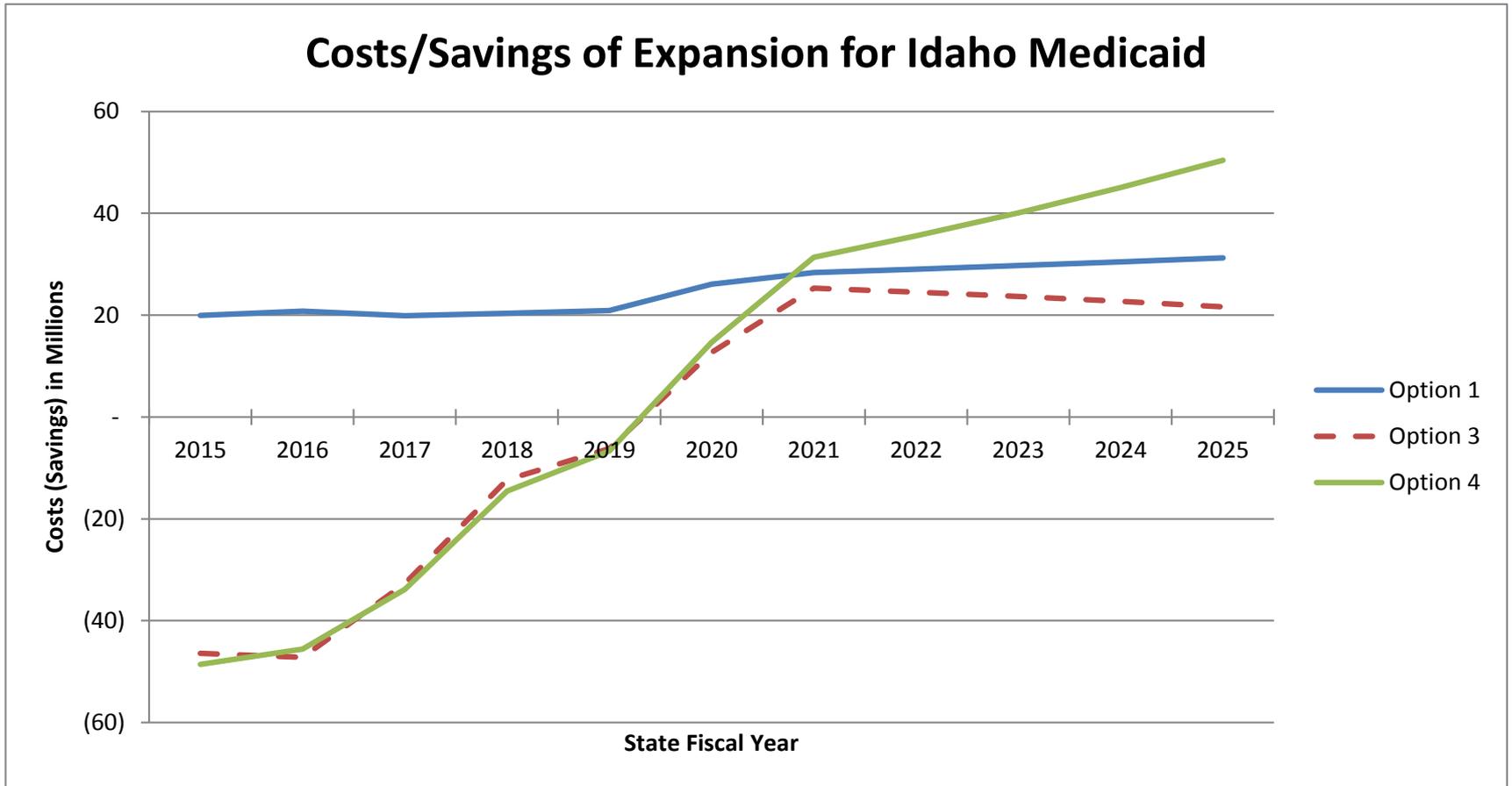
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Summary Comparison

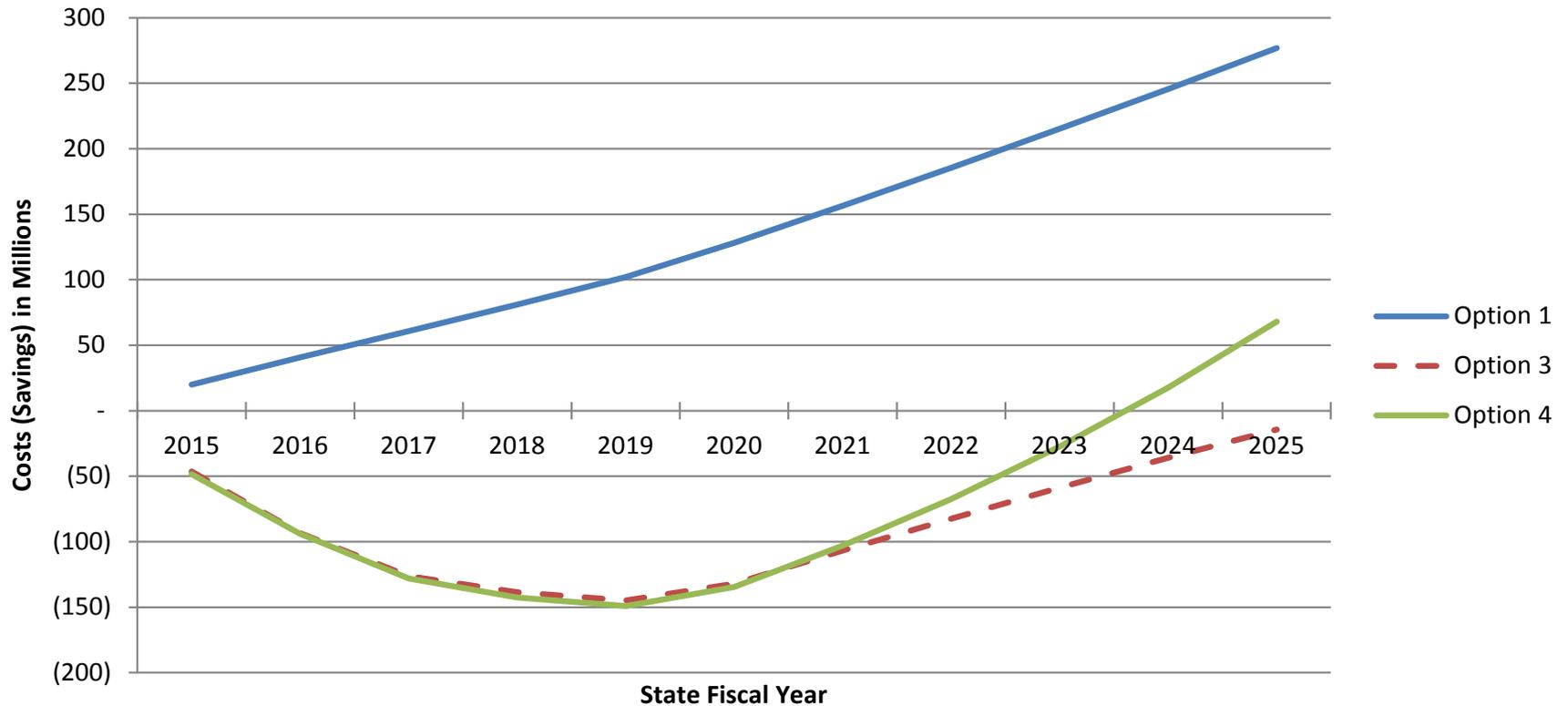
Current summary (6/18/2014)

Option #1, Option #3, and Option #4 Summary State and Local Dollars Only (Values in Millions)							
	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	.....	<u>SFY 2025</u>	<u>Cumulative Total</u>
Option # 1: No Optional Expansion							
Total Cost (slide #13)	\$20.8	\$19.9	\$20.4	\$20.9		\$31.3	\$257.0
Option # 3: State Plan Option (Managed Care)							
Marginal Cost (slide #14)	(\$64.1)	(\$48.5)	(\$28.5)	(\$22.7)		(\$3.5)	(\$176.4)
Option # 3: State Plan Option (Managed Care) (Including Mandatory Expansion)							
Total Cost	(\$43.3)	(\$28.6)	(\$8.1)	(\$1.8)		\$27.8	\$80.5
Option # 4: Private Optional Expansion Only (Excluding Mandatory Expansion)							
Marginal Cost (slide #15)	(\$62.4)	(\$49.7)	(\$30.7)	(\$23.1)		\$25.3	(\$91.9)
Option # 4: Private Optional Expansion (Including Mandatory Expansion)							
Total Cost	(\$41.6)	(\$29.8)	(\$10.3)	(\$2.2)		\$56.6	\$165.0

Costs/Savings of Expansion for Idaho Medicaid



Cumulative Costs/Savings of Expansion for Idaho Medicaid



Other Considerations

- DSH Funding –although no impact on projections

Idaho Department of Health and Welfare Potential Loss of DSH Funding

<u>Other Impacts - Hospitals:</u>	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	<u>SFY 2020</u>	<u>SFY 2021</u>	<u>SFY 2022</u>	<u>SFY 2023</u>	<u>SFY 2024</u>	<u>SFY 2025</u>	<u>Cumulative Total</u>
Potential Loss of Federal Funds											
Medicare DSH	\$8.2	\$10.3	\$9.1	\$10.5	\$10.7	\$10.9	\$11.1	\$11.3	\$11.6	\$11.8	\$93.8
Medicaid DSH**	\$0.6	\$1.6	\$4.5	\$5.8	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$4.7	\$35.9
Total Loss of FFs:	\$8.9	\$11.9	\$13.5	\$16.3	\$15.4	\$15.6	\$15.8	\$16.0	\$16.2	\$16.5	\$129.7

** In SFY 2014, Idaho Hospitals received approximately \$24.1 million in federal Medicaid DSH payments; we have applied assumed reductions to this starting amount in annual funding based on national reduction percentages which have been dampened to reflect that Idaho is a low DSH state. Note that these are estimates and many factors will affect final funding reductions. The Affordable Care Act (ACA) reduced disproportionate share hospital (DSH) allotments on the assumption that with the expansion of health care coverage, there would be fewer uninsured and less uncompensated care. Guidance regarding loss of DSH funding was only provided through Federal fiscal year 2020, we have assumed no change in DSH reductions after Federal fiscal year 2020. We do not know the exact impact if a state decides not to participate in the ACA Medicaid eligibility expansion.

- Adverse Selection / Pent-up Demand
- Point Estimate

Other Considerations (continued)

- Continued state/local costs after Optional (138% FPL or Private Plan) and/or Mandatory Expansion

	<u>SFY 2016</u>	<u>SFY 2017</u>	<u>SFY 2018</u>	<u>SFY 2019</u>	.....	<u>SFY 2025</u>	<u>Cumulative Total</u>
<u>Continued State/Local Costs without Optional Expansion</u>							
CAT Program (State)	\$35.6	\$37.3	\$39.1	\$40.9		\$54.2	\$443.1
Medical Indigent (County)	\$24.7	\$25.7	\$26.7	\$27.8		\$35.1	\$296.5
Medical Ind (County Admin)	\$6.1	\$6.3	\$6.6	\$6.8		\$8.0	\$71.3
Behavior Health (DHW)	\$9.7	\$9.7	\$9.7	\$9.7		\$9.7	\$96.5
Public Health (DHW)	\$0.8	\$0.8	\$0.8	\$0.8		\$0.8	\$8.0
Total Local and State Spend:	<u>\$76.8</u>	<u>\$79.7</u>	<u>\$82.8</u>	<u>\$86.0</u>		<u>\$107.8</u>	<u>\$915.4</u>
<u>Continued State/Local Costs with Mandatory and Optional Expansion</u>							
CAT Program (State)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Medical Indigent (County)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Medical Ind (County Admin)	\$0.6	\$0.6	\$0.7	\$0.7		\$0.8	\$7.1
Behavior Health (DHW)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Public Health (DHW)	\$0.0	\$0.0	\$0.0	\$0.0		\$0.0	\$0.0
Total Local and State Spend:	<u>\$0.6</u>	<u>\$0.6</u>	<u>\$0.7</u>	<u>\$0.7</u>		<u>\$0.8</u>	<u>\$7.1</u>

Caveats

Limitations

This analysis is intended for the use of State of Idaho in support of the Medicaid expansion program evaluation. Any user of the data must possess a certain level of expertise in actuarial science and health care modeling so as not to misinterpret the data presented.

Milliman makes no representations or warranties regarding the contents of this presentation to third parties. Similarly, third parties are instructed that they are to place no reliance upon this analysis prepared for State of Idaho by Milliman that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties. Other parties receiving this report must rely upon their own experts in drawing conclusions about the individual insurance market rates, assumptions and trends. It is the responsibility of any insurance carrier to establish required revenue levels appropriate for their risk, management and contractual obligations for the prospective population.

This analysis has relied extensively on data provided for the State of Idaho, including population surveys, and carrier data to compute the relative risk scores of the population. Errors in data reporting may flow through the analysis, and as such would impact the results.

Actual results will vary from our projections for many reasons, including differences from assumptions regarding future enrollment within the Idaho Medicaid Program, the relative morbidity of the uninsured population, and the mix of various risk stratifications in the 2014 Individual Insurance Market, as well as other random and non-random factors. Experience should continue to be monitored on a regular basis, with modifications to reinsurance rates or to the program as necessary.

Actuarial Statement of Qualification

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. We are members of the American Academy of Actuaries, and meet the qualification standards for performing this analysis.

This presentation includes preliminary draft findings. A complete written report will be provided to the State of Idaho Department of Health and Welfare for further Medicaid expansion program evaluation.