



DMAS Estimates of ACA Costs and Savings

Presentation to the:
Medicaid Innovation and Reform Commission

August 19, 2013

ACA Implementation—Monitoring and Tracking

Medicaid Expansion Under the ACA: How States Analyze the Fiscal and Economic Trade-Offs

June 2013

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Overall Conclusion of Fiscal Analyses

“Virginia exemplifies a state where public officials and private stakeholders have carefully analyzed multiple effects of Medicaid expansion. Table 2 shows the factors included in the state’s analysis of both increased Medicaid costs resulting from expansion, as well as offsetting savings. Particularly noteworthy are both the care with which state analysts distinguished expanded eligibility from other ACA provisions (including separate “welcome mat” or “woodwork” effects resulting from the ACA, with and without expanded eligibility) and the range of potential cost savings taken into account.”

➤ Overview

➤ Estimate Details

➤ Key Assumptions

Estimated Costs and Savings of the Affordable Care Act for Virginia

	SFY 10 - SFY 22	SFY 2010 - SFY 2014	SFY 2015 - SFY 2016	SFY 2017 - SFY 2022
Mandatory ACA Provisions: Costs – State Funds	\$1,017m	\$47m	\$164m	\$806m
Mandatory ACA Provisions: Savings – State Funds	(\$1,159)m	(\$216)m	(\$168)m	(\$775)m
Total Mandatory ACA Provisions: State Funds	(\$142)m	(\$170)m	(\$3)m	\$31m
Total Mandatory ACA Provisions: Federal Funds	\$847m	(\$53)m	\$180m	\$720m
Optional ACA Provisions (with Expansion): Costs – State Funds	\$1,603m	\$10m	\$47m	\$1,546m
Optional ACA Provisions (with Expansion): Savings – State Funds	(\$1,323)m	(\$62)m	(\$282)m	(\$980)m
Total Optional ACA Provisions (with Expansion): State Funds	\$280m	(\$52)m	(\$234)m	\$566m
Total Optional ACA Provisions (with Expansion): Federal Funds	\$22,346m	\$771m	\$4,637m	\$16,938m
Net ACA Impact with Optional Expansion – State Funds	\$137m	(\$222)m	(\$238)m	\$597m
Net ACA Impact with Optional Expansion – Federal Funds	\$23,193m	\$718m	\$4,817m	\$17,657m

Source: Virginia Department of Medical Assistance Services, December 7, 2012

- These estimates were finalized December 7, 2012 and reflect an Expansion start date of 1/1/2014
- The 2013 Appropriation Act (Item 207.RRRR.6a) directed DMAS to seek the approval from the MIRC prior a Medicaid expansion
- The 1/1/2014 date is no longer an operationally feasible implementation date
- The estimates will be rerun with implementation scenarios of 7/1/2014 and 1/1/2015

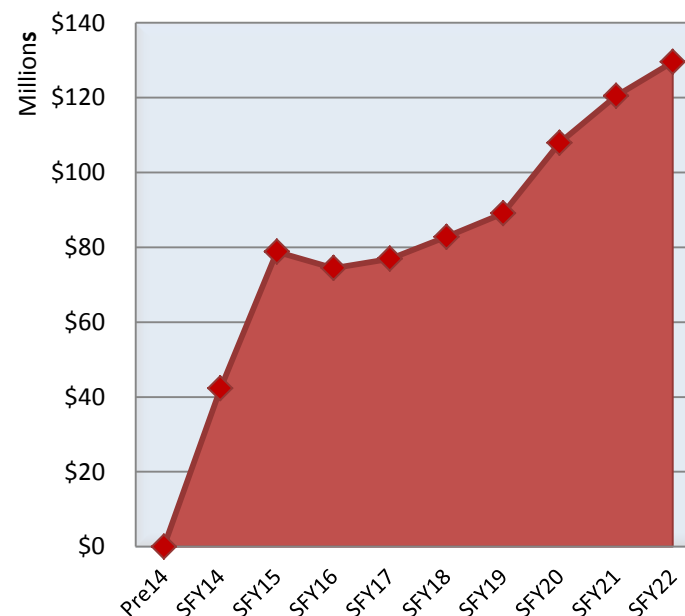
Estimated Costs and Savings of the Affordable Care Act for Virginia State Funds

	SFY 2010 - SFY 2022	SFY 2010 - SFY 2014	SFY 2015 - SFY 2016	SFY 2017 - SFY 2022
1 Mandatory ACA Costs	\$1,017m	\$47m	\$164m	\$806m

Components of Mandatory ACA Costs include:

- Coverage for Eligible but Unenrolled Individuals ("Woodwork") including Foster Care Alumni
- Administrative Costs Associated with Additional Enrollment
- Federal Primary Care Physician Rate Increase
 - CY2013 – CY2014
- MCO Insurance Tax
 - 1.9% Applied to MCO Capitation Payments in the Current Medicaid Program
- Restoration of Lost DSH Funds

Estimated Mandatory ACA Costs



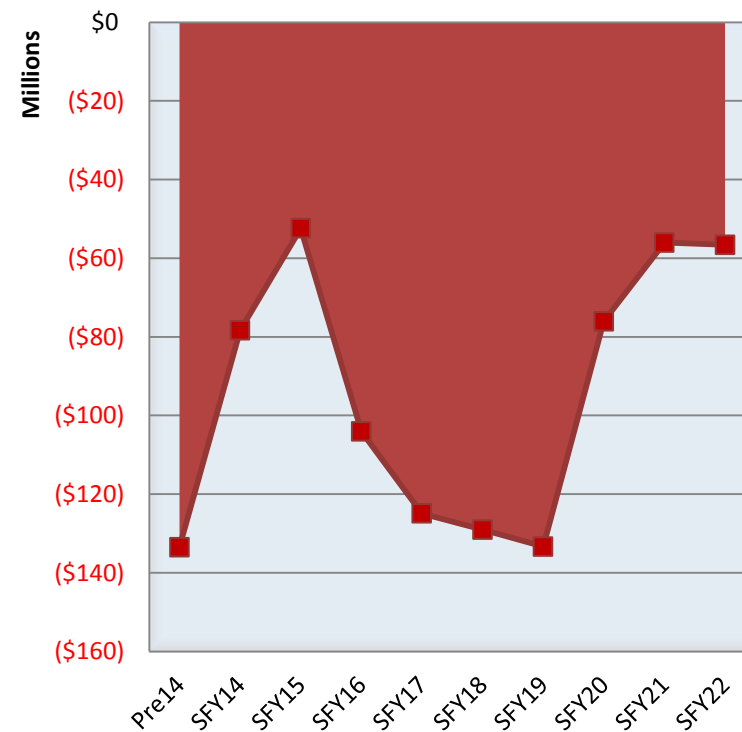
Estimated Costs and Savings of the Affordable Care Act for Virginia State Funds

	SFY 2010 - SFY 2022	SFY 2010 - SFY 2014	SFY 2015 - SFY 2016	SFY 2017 - SFY 2022
2 Mandatory ACA Savings	(\$1,159)m	(\$216)m	(\$168)m	(\$775)m

Components of Mandatory ACA Savings include:

- Collection of rebates on MCO Rx expenditures in early years
- Ongoing savings reflect elimination of public coverage programs
 - FAMIS MOMS (pregnant women 133-200% FPL);
 - Family Planning waiver (133% -200% FPL)
- Reductions in indigent care payments associated with additional enrollment (Exchange)
- Title XXI CHIP FMAP increase
 - 23 percentage point increase in the Title XXI CHIP federal match rate effective SFY16-SFY19
- ACA DSH Reduction

Estimated Mandatory ACA Savings



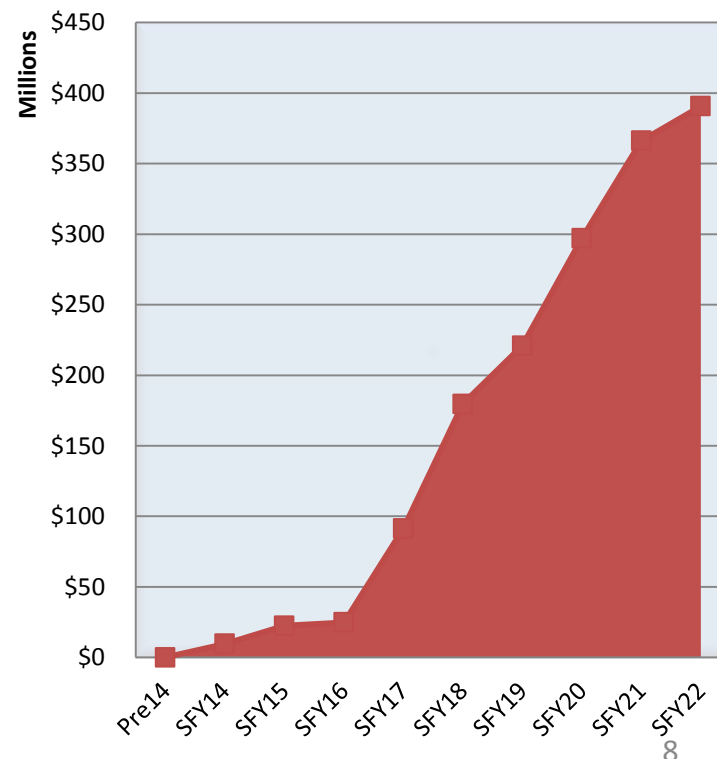
Estimated Costs and Savings of the Affordable Care Act for Virginia State Funds

	SFY 2010 - SFY 2022		SFY 2010 - SFY 2014	SFY 2015 - SFY 2016	SFY 2017 - SFY 2022
4 Optional ACA Costs	\$1,603m		\$10m	\$47m	\$1,546m

Components of Optional ACA Costs include:

- Coverage of expansion population (current Medicaid package including behavioral health services)
 - Declining federal match rate from 100% to 90%
- Assumption of increased “woodwork” enrollment associated with an expansion “buzz factor”
- Administrative Costs associated with Additional Enrollment
- MCO Insurance Tax
 - 1.9% applied to increased MCO capitation payment expenditures associated with expanded enrollment

Estimated Optional ACA Costs



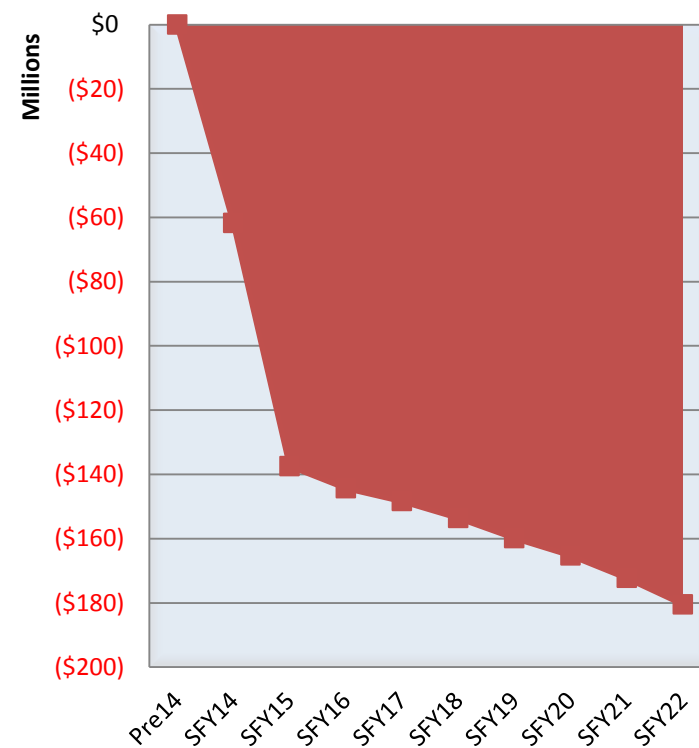
Estimated Costs and Savings of the Affordable Care Act for Virginia State Funds

	SFY 2010 - SFY 2022	SFY 2010 - SFY 2014	SFY 2015 - SFY 2016	SFY 2017 - SFY 2022
5 Optional ACA Savings	(\$1,323)m	(\$62)m	(\$282)m	(\$980)m

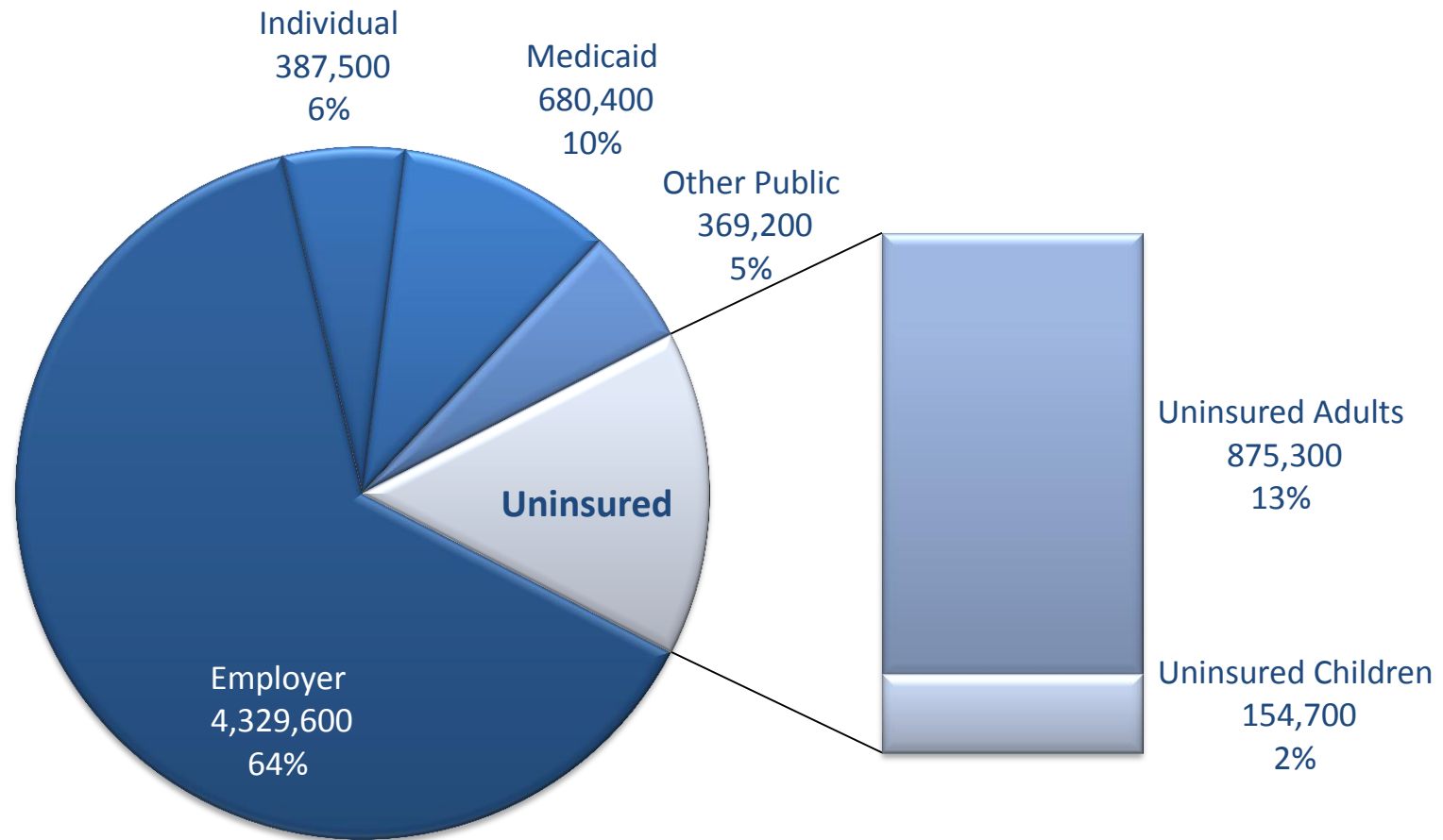
Components of Optional ACA Savings include:

- Reductions in GF appropriations to DOC (inpatient hospital services for prisoners) and CSBs (behavioral health services)
- Reductions in indigent care payments reflecting Medicaid coverage of expansion population and services
- Coverage of current populations under the Expansion
 - Breast and Cervical Cancer program and state-funded Temporary Detention Orders
- Further elimination of public coverage programs
 - Family Planning waiver (0 - 133% FPL)

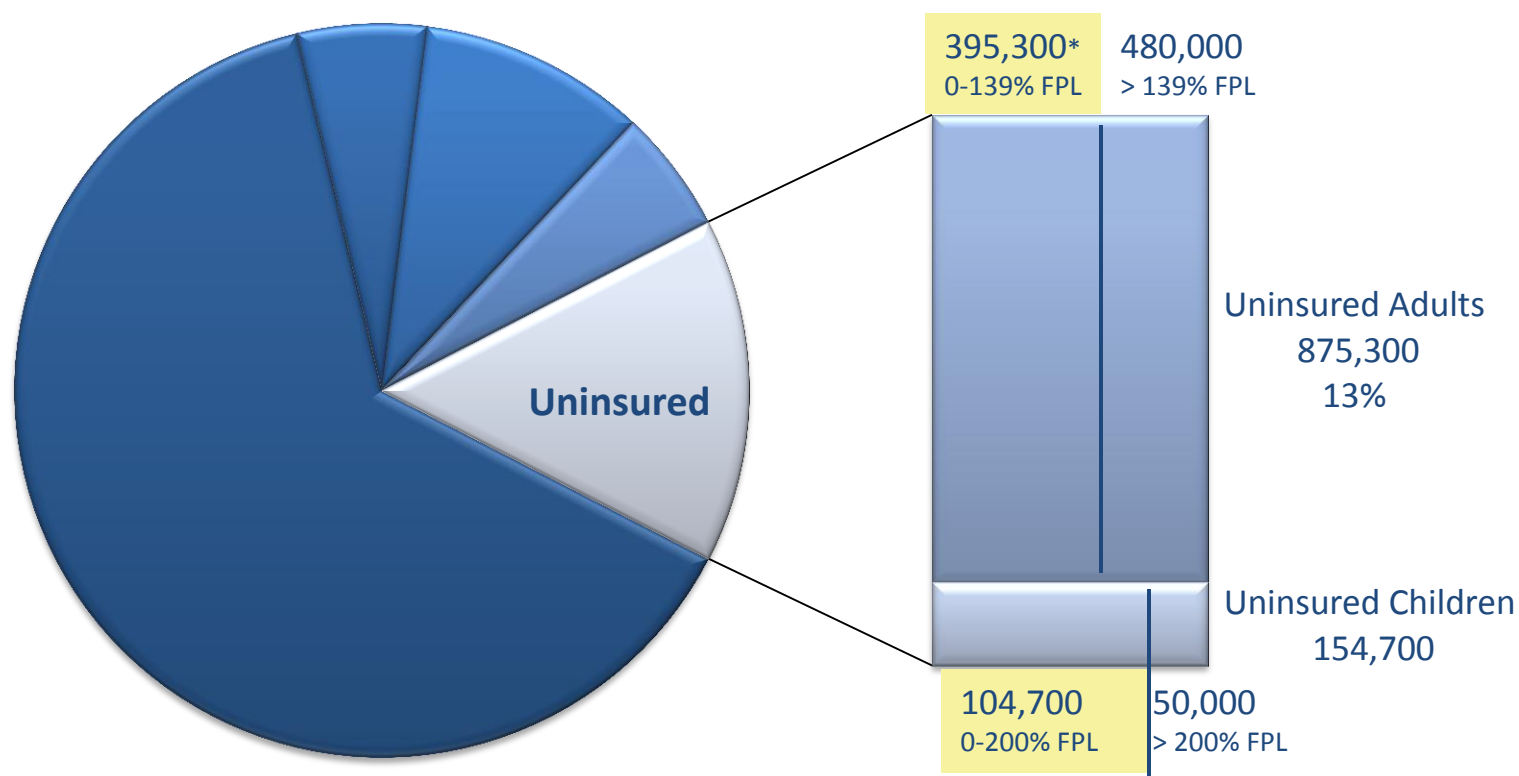
Estimated Optional ACA Savings



Insurance Coverage of the Non-Elderly in Virginia 2009-2010

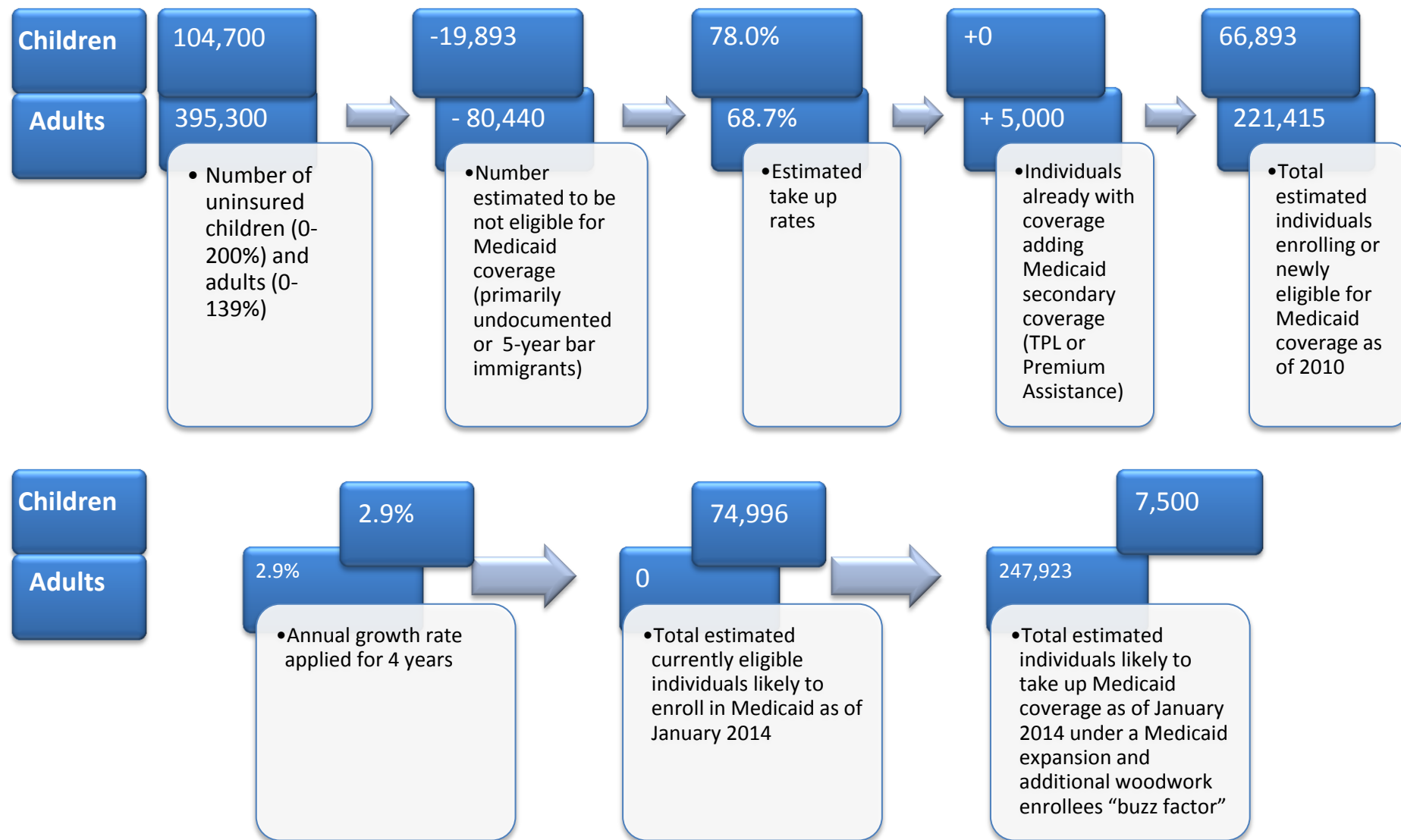


Insurance Coverage of the Non-Elderly in Virginia 2009-2010

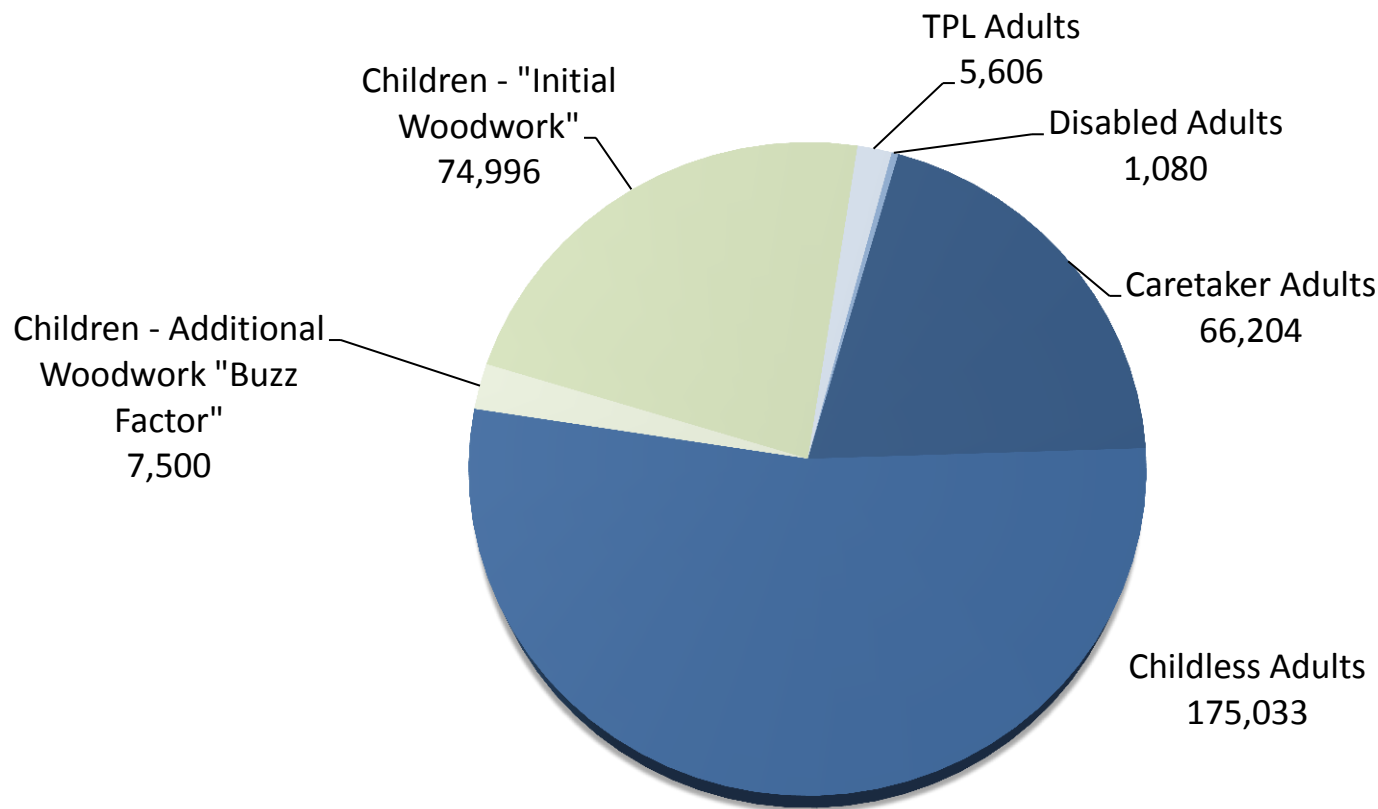


*It is estimated that 195,000 adults fall between 0 – 100% FPL. Without a Medicaid expansion, these individuals would not be eligible for Medicaid or federal subsidies through the Exchange.

Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on the Census Bureau's March 2011 and 2012 Current Population Survey (CPS: Annual Social and Economic Supplements).



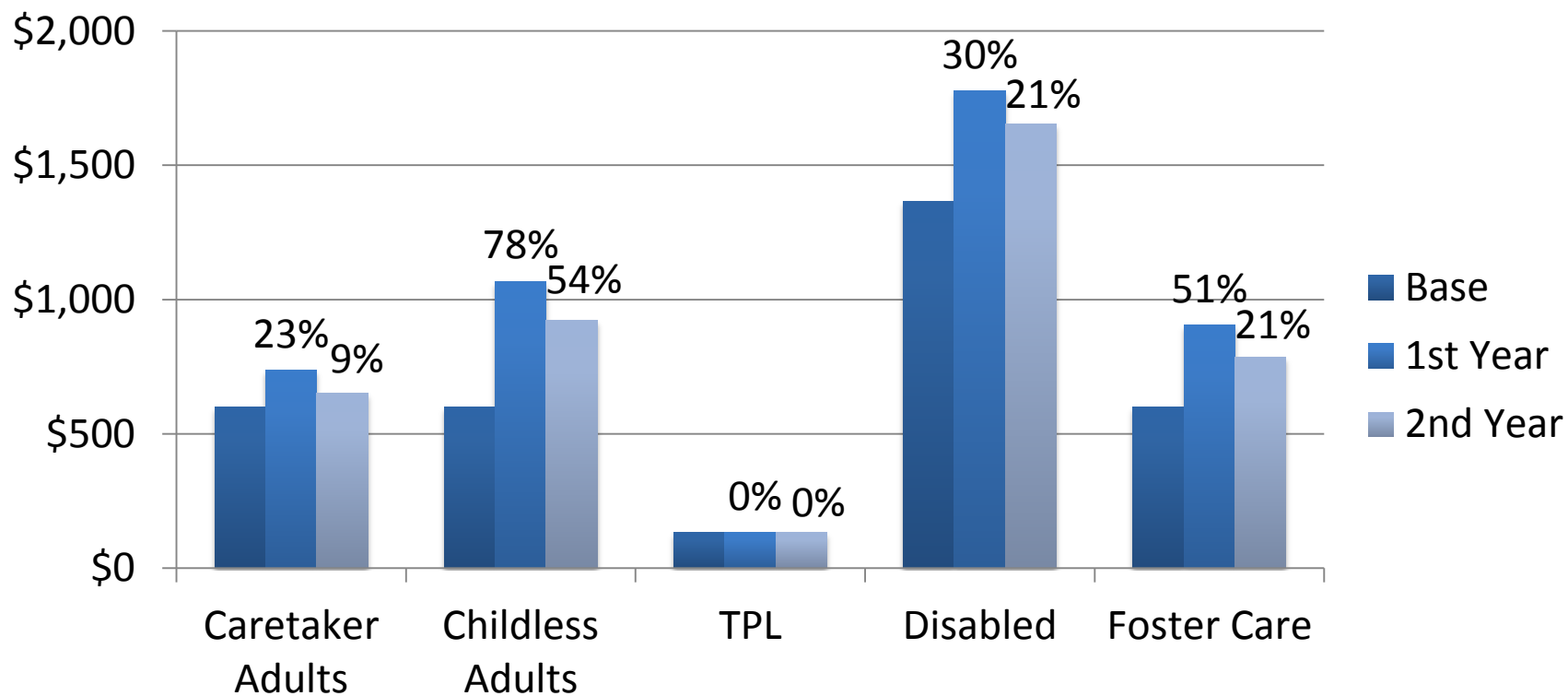
As a result of the ACA, Virginia estimates **74,996** currently eligible children will enroll in Medicaid ("woodwork"). If Virginia chooses to expand Medicaid, an estimated **7,500** additional currently eligible children would be expected to enroll in Medicaid and **247,923** newly-eligible individuals would be likely to take up Medicaid coverage



	Woodwork Population	Medicaid Expansion	
		Newly Eligible Population	Additional Woodwork
Estimated Enrollment as of January 2014	74,996	247,923	7,500
Estimated Average Monthly Enrollment			
SFY 2014	45,172	191,174	4,517
SFY 2015	78,406	248,795	7,841
SFY 2016	80,721	262,401	8072
SFY 2017	83,093	270,112	8,309
SFY 2018	85,535	278,051	8,554
SFY 2019	88,049	286,223	8,805
SFY 2020	90,637	294,634	9,064
SFY 2021	93,300	303,293	9,330
SFY 2022	96,042	312,206	9,604

Assumptions of Projected MCO Capitation Payments for ACA Expansion Populations

Percent above comparable base population FY14 costs



- **CSB Appropriation Reductions**

- The assumption reflected in the DMAS estimates for the Medicaid expansion is that 25% of estimated Medicaid spending for Community Behavioral Health Services in the Expansion Population would supplant direct funding to the CSBs

- **Department of Corrections**

- The assumption reflected a transfer of the cost of inpatient hospital services for inmates of DOC (100% GF) to DMAS where funding is 100% to 90% federal under a Medicaid expansion

- **Indigent Care Costs**

- Assumed a 50% reduction in indigent care costs at VCU and UVA

Estimated GF Costs of the Affordable Care Act for Virginia: 2014-2022

		2010 Estimate	2012 Estimate
Mandatory Provisions	Woodwork Costs	✓	✓
	Foster Care Alumni		✓
	ACA Insurance Tax		✓
	Changes in Medicaid Drug Rebate Program	✓	✓
	Increase in Title XXI FMAP	✓	✓
	Elimination of Public Coverage Programs (FAMIS MOMS, Family Planning 133%+)		✓
Optional Expansion	Medicaid Expansion Costs	✓	✓
	# people estimated to ever enroll as of Jan 2014	378,018	247,923
	Behavioral Health Savings		✓
	Inmate Inpatient Hospital Savings		✓
	Indigent Care Savings		✓
	Other Savings		✓
	Administrative Costs	✓	✓
Total Estimated GF ACA Costs for Virginia 2014-2022		\$2,158,646,389	\$137,485,859