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MaineCare Expansion: Summary of Estimated Costs and Savings, SFYs 2019-2021

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- **Background and Overview of MaineCare Expansion Estimates**
- **Estimated Enrollment and Costs**
- **Estimated State Savings and Revenues**

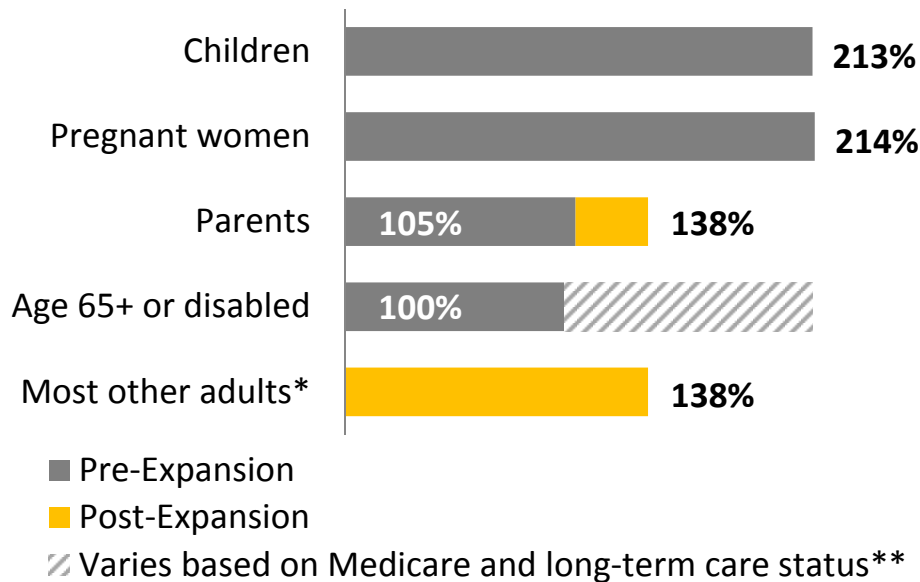
For sources and additional information, see Manatt Health, *Estimated Budget Impacts of Expanding MaineCare*, Memorandum to MeHAF (Feb. 27, 2017), <http://www.mehaf.org/learning-resources/>.

Background and Overview of Estimates

MaineCare Expansion Provides Coverage for Parents and Other Low-Income Adults Up to 138% FPL

On November 7, 2017, Maine voters approved a referendum to implement expansion of MaineCare to adults with incomes up to 138% of the federal poverty level (FPL)

MaineCare Eligibility Levels (% of FPL)



2018 Annual Income Corresponding with Selected MaineCare Eligibility Limits, by Family Size				
FPL	1	2	3	4
105%	\$12,747	\$17,283	\$21,819	\$26,355
138%	\$16,753	\$22,715	\$28,676	\$34,638
161%	\$19,545	\$26,501	\$33,456	\$40,411
214%	\$25,980	\$35,224	\$44,469	\$53,714
250%	\$30,350	\$41,150	\$51,950	\$62,750

* Additional adults covered pre-expansion include individuals age 19 or 20 (161% FPL); those in need of family planning services (214% FPL); women with breast/cervical cancer (250% FPL); individuals with HIV (250% FPL).

** For example, no specific income limit applies to individuals in need of long-term care, who can qualify if they meet an asset test and their excess income is placed in a trust that is paid to MaineCare when the individual dies.

MaineCare Expansion Impact on State Budget

- State costs

- Coverage for expansion group
- Coverage for currently eligible but not enrolled parents and children
- Administrative activities

Federal Funding for Newly Eligible Adults by Calendar Year (CY)	
2015	100%
2016	100%
2017	95%
2018	94%
2019	93%
2020 and thereafter	90%

- State savings

- Higher federal matching rate for some existing MaineCare populations now eligible to enroll under expansion group
- Access to new federal Medicaid dollars that replace State-only spending on certain other health care programs and services for low-income adults

- State revenues

- Higher State revenues with an increase in the base for existing hospital tax

Summary of MaineCare Expansion Estimated Costs and Savings, SFYs 2019-2021

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	SFY 2019	SFY 2020	SFY 2021
Number of new enrollees	50,038	67,908	71,483
Expansion group	43,400	58,900	62,000
Expansion childless adults up to 138% FPL	33,525	45,498	47,893
Expansion parents from 101% to 138% FPL	9,875	13,402	14,107
Currently eligible but not enrolled	6,638	9,008	9,483
Parents	2,564	3,479	3,663
Children	4,074	5,529	5,820
Total costs by funding source	\$362,228,285	\$517,803,984	\$576,898,368
Federal	\$316,582,335	\$445,322,596	\$489,542,332
State	\$45,645,950	\$72,481,389	\$87,356,036
Total costs by category	\$362,228,285	\$517,803,984	\$576,898,368
Expansion childless adults up to 138% FPL	\$283,319,775	\$407,576,544	\$454,772,771
Expansion parents from 101% to 138% FPL	\$40,562,550	\$58,353,380	\$65,108,319
Currently eligible but not enrolled parents	\$10,531,886	\$15,147,844	\$16,905,917
Currently eligible but not enrolled children	\$20,320,786	\$29,232,929	\$32,618,074
Administrative	\$7,493,287	\$7,493,287	\$7,493,287
State savings and revenues	\$(15,113,497)	\$(23,891,598)	\$(25,453,938)
Existing Medicaid populations	\$(3,694,111)	\$(7,552,543)	\$(8,809,862)
Non-Medicaid programs	\$(10,040,291)	\$(13,978,812)	\$(13,951,713)
Hospital tax revenues	\$(1,379,095)	\$(2,360,242)	\$(2,692,362)
Net change in State costs	\$30,532,453	\$48,589,791	\$61,902,098

Notes: Sums of components may not equal totals due to rounding.

* Savings and revenues in parentheses are an offset to costs.

Estimated Enrollment and Costs

Key Assumptions Regarding Enrollment

- Approximately 112,700 adults age 19-64 with incomes up to 138% FPL estimated as potentially eligible for MaineCare expansion coverage
- When full take-up is realized, MaineCare expansion group enrollment is approximately 55% of all potentially eligible adults
 - Reflects a midpoint value for states that have recently expanded; in Alaska, Louisiana, and Montana, actual expansion group enrollment as a share of all potentially eligible adults ranges from approximately 40% to 70%
 - In neighboring New Hampshire, the figure is less than 45%
- Full take-up of coverage is not realized until state fiscal year (SFY) 2021
 - Ramp-up period is assumed, based on midpoint of other states' experiences
 - Approximately 58% of the number ultimately expected to enroll do so in the first six months of expansion (i.e., July through December of CY 2018); 70% in SFY 2019; 95% in SFY 2020; 100% in SFY 2021

Key Assumptions Regarding Costs

- Eligibility group-specific per member per month (PMPM) amounts from Maine Department of Health and Human Services (DHHS) are generally used for spending per enrollee estimates
 - Unlike states in which there was little experience upon which to base PMPMs for expansion enrollees, Maine’s previous coverage of childless adults and higher income parents provides a solid foundation for such estimates
 - DHHS applies an annual growth rate of 6% to PMPMs, which is higher than national estimates of growth produced by the Congressional Budget Office and the Centers for Medicare & Medicaid Services
- Federal matching rates applied for a given SFY are a blend of CY and federal fiscal year (FFY) values
 - Regular federal matching rate for most MaineCare populations and services is approximately 64% in FFY 2018
 - Enhanced rate for newly eligible adults is 94% in CY 2018, phasing to 90% in CY 2020+
 - Administrative costs are from DHHS, with a 61% federal matching rate

Additional Information on Enrollment and Costs

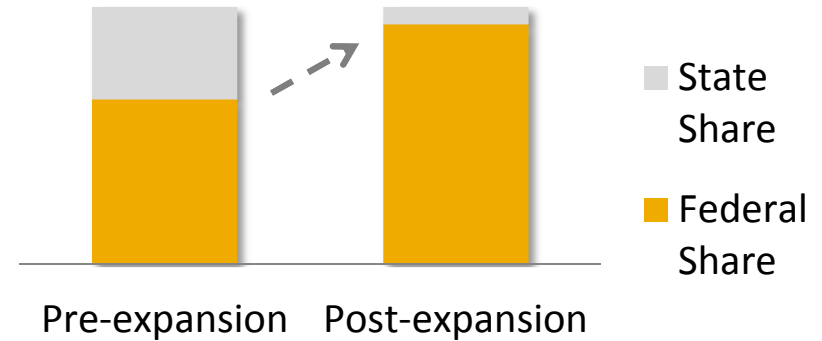
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- Coverage for most adults without dependent children (“childless adults”) in the expansion group is at the enhanced federal matching rate
 - As described later, some of these individuals (e.g., certain pregnant women and people with disabilities) previously would have been covered at the regular federal matching rate and will generate savings to the State by shifting to the expansion group that receives an enhanced rate
- Coverage for parents and individuals age 19 or 20 in the expansion group is at the regular federal matching rate
 - Because Maine covered all parents and all individuals age 19-20 up to 138% FPL with a full benefit package as of December 1, 2009, these individuals are not considered newly eligible under the Affordable Care Act
- Coverage for currently eligible but not enrolled (i.e., non-expansion) parents and children is at the regular federal matching rate, with enrollment estimates based on historical DHHS data

Estimated Savings and Revenues

Mechanisms for State Budget Savings

- 1 Higher federal matching rate for some existing MaineCare populations



Matching rate or federal medical assistance percentage (FMAP)
FMAP is the proportion of covered state Medicaid service costs eligible for federal reimbursement. The higher the matching rate for a population or service type, the more the federal government will contribute toward the total cost.

- 2 Access to new federal dollars that replace State-only spending for certain other health care services and programs
- 3 Higher State revenues as the hospital tax base increases



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Expansion Savings of \$8.8 Million By SFY 2021 As Some MaineCare Populations Move to Enhanced Federal Match ¹³

Groups with savings from obtaining enhanced federal match include:



Pregnant women: \$3.7 million



Breast & cervical cancer: \$0.1 million



Poverty level disabled: \$2.5 million



Medically needy: \$1.5 million



HIV waiver: \$0.9 million

Savings Related to MaineCare Pregnant Woman Group



Women enrolled in the expansion group who become pregnant would remain in that group until renewal. Maine would continue to receive enhanced federal match for these individuals until that time.

Potential Savings in Maine

- An estimated 2,072 women with incomes up to 138% FPL were enrolled in MaineCare through a pregnancy-related eligibility pathway in SFY 2016
- Using the midpoint of other states' percentage reductions in enrollment as a guide, an estimated 932 of these women shift from the pregnancy group to the expansion group by SFY 2021
- Expansion group coverage for these women draws a higher federal match, thereby generating annual State savings estimated at \$3.7 million by SFY 2021

SFY	Estimated Current Law Spending, 0-138% FPL		Estimated State Savings Under Expansion
	Total	State	
2019	\$29.0 million	\$10.3 million	(\$1.9) million
2020	\$30.8 million	\$10.9 million	(\$3.5) million
2021	\$32.6 million	\$11.6 million	(\$3.7) million

Savings Related to MaineCare Breast & Cervical Cancer Group



MaineCare covers certain adults with breast or cervical cancer discovered through a screening program. With expansion, many of these individuals would receive screenings while enrolled in the new adult group, where their services receive a higher federal matching rate.

Potential Savings in Maine

- An estimated 104 women with incomes up to 138% FPL were enrolled in MaineCare through the breast/cervical cancer eligibility pathway in SFY 2016
- Using the midpoint of other states' percentage reductions in enrollment as a guide, an estimated 49 of these women shift from the breast/cervical cancer group to the expansion group each year
- Expansion group coverage for these women draws a higher federal match, thereby generating annual State savings estimated at \$0.1 million each year

SFY	Estimated Current Law Spending, 0-138% FPL		Estimated State Savings Under Expansion
	Total	State	
2019	\$1.6 million	\$0.4 million	(\$0.1) million
2020	\$1.7 million	\$0.4 million	(\$0.1) million
2021	\$1.8 million	\$0.4 million	(\$0.1) million

Savings Related to MaineCare Poverty Level Disabled Group



MaineCare coverage is provided at State option to individuals with a disability determination whose income is above the Supplemental Security Income level (approximately 74%), up to 100% FPL. Under expansion, these individuals no longer require a disability determination to enroll and can qualify for the higher federal matching rate.

Potential Savings in Maine

- 5,300 individuals with incomes up to 138% FPL who could potentially qualify under the expansion group were enrolled in MaineCare through the poverty-related disabled eligibility pathway in FFY 2009
- Using data on enrollment churn for this population, an estimated 4.5% are new enrollees each year who could instead enroll through the expansion group
- Expansion group coverage for these individuals draws a higher federal match, thereby generating annual State savings estimated at \$2.5 million by SFY 2021

SFY	Estimated Current Law Spending, 0-138% FPL		Estimated State Savings Under Expansion
	Total	State	
2019	\$77.9 million	\$27.7 million	(\$0.5) million
2020	\$82.6 million	\$29.3 million	(\$1.5) million
2021	\$87.5 million	\$31.1 million	(\$2.5) million

Savings Related to MaineCare Medically Needy Group



People who could otherwise qualify for MaineCare under an existing category but whose income exceeds the limit can become eligible by incurring medical expenses and “spending down” their income to a required level. Some of these individuals will enroll in the expansion group instead and will qualify for the higher federal matching rate.

Potential Savings in Maine

- In SFY 2019, an estimated \$5.5 million was spent on individuals who were enrolled in MaineCare through the medically needy eligibility pathway but could potentially shift to the expansion group
- Given that medically needy eligibility must be renewed every six months, these individuals could rapidly transition to the expansion group
- Expansion group coverage for these individuals draws a higher federal match, thereby generating annual State savings estimated at \$1.5 million by SFY 2020

SFY	Estimated Current Law Spending, 0-138% FPL		Estimated State Savings Under Expansion
	Total	State	
2019	\$5.3 million	\$1.9 million	(\$0.8) million
2020	\$5.6 million	\$2.0 million	(\$1.5) million
2021	\$6.0 million	\$2.1 million	(\$1.5) million

Savings Related to MaineCare HIV Waiver Group



MaineCare currently covers certain adults with HIV up to 250% FPL under a waiver. Because this group receives a more limited benefit package than regular MaineCare, those up to 138% FPL will qualify as newly eligible adults who receive enhanced federal match through the expansion group.

Potential Savings in Maine

- During the first three quarters of 2017, an average of 444 individuals with HIV who are otherwise ineligible for MaineCare were enrolled under the waiver
- DHHS estimates that 60% of these individuals would qualify for enrollment as expansion group adults
- Expansion group coverage for these individuals draws a higher federal match, thereby generating annual State savings estimated at \$0.9 million by SFY 2020

SFY	Estimated Current Law Spending, 0-138% FPL		Estimated State Savings Under Expansion
	Total	State	
2019	\$5.3 million	\$1.9 million	(\$0.5) million
2020	\$5.6 million	\$2.0 million	(\$0.9) million
2021	\$6.0 million	\$2.1 million	(\$0.9) million

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Expansion Savings of \$14.1 Million By SFY 2021 As State-Only Spending Is Replaced By Federal Dollars

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Programs with savings from obtaining new federal match include:



Corrections: \$3.6 million



Mental health and substance use disorder programs: \$9.8 million



General Assistance program: \$0.4 million



Low Cost Drugs for Elderly and Disabled program: \$0.2 million

Savings Related to State-Only Corrections



Federal funding for Medicaid coverage of inmates is prohibited by federal law, with the exception of inpatient hospital care. Under expansion, the vast majority of inmates with inpatient hospitalizations will qualify for MaineCare coverage of those costs.

Potential Savings in Maine

- In SFY 2019, Maine will spend an estimated \$3.9 million in State general funds on inmate hospitalizations
- Under expansion, it is assumed that 75% of this spending in the first year and 90% thereafter will be under MaineCare
- MaineCare expansion coverage draws a federal match, thereby generating annual State savings estimated at \$3.6 million by SFY 2021

SFY	Estimated State Savings Under Expansion
2019	(\$2.8) million
2020	(\$3.4) million
2021	(\$3.6) million

Savings Related to State-Only Behavioral Health



State-only funding of mental health and substance use disorder treatment can be reduced with expansion, as previously uninsured individuals become eligible for MaineCare under the expansion group.

Potential Savings in Maine

- In SFY 2015, Maine spent an estimated \$34.5 million in State general funds on non-Medicaid mental health and substance abuse services for adults
- A conservative assumption based on the income distribution of uninsured adults age 19-64 in Maine would suggest that at least \$14.5 million is used to serve individuals with incomes from 0-138% FPL
- MaineCare expansion coverage draws a federal match, thereby generating annual State savings estimated at \$9.8 million by SFY 2021

SFY	Estimated State Savings Under Expansion
2019	(\$6.8) million
2020	(\$10.0) million
2021*	(\$9.8) million

* Because we do not assume behavioral health program spending growth under current law, the SFY 2021 savings estimate drops slightly as the federal matching rate decreases and levels out at 90%.

Savings Related to State-Only General Assistance (GA)



Many of the individuals who receive GA will now be eligible for and enrolled in MaineCare. As such, a substantial portion of GA medical spending can be replaced with federal Medicaid dollars.

Potential Savings in Maine

- In SFY 2016, Maine spent \$0.6 million on prescriptions and other medical care under its GA program, 70% of which was paid with State funds
- Under expansion, it is assumed that 75% of this spending in the first year and 90% thereafter will be under MaineCare
- MaineCare expansion coverage draws a federal match, thereby generating annual State savings estimated at \$0.4 million by SFY 2020

SFY	Estimated State Savings Under Expansion
2019	(\$0.3) million
2020	(\$0.4) million
2021	(\$0.4) million

Savings Related to State-Only Low Cost Drugs for the Elderly and Disabled (DEL)



DEL is a State-funded program that helps pay for prescription and over-the-counter drugs in Maine for certain individuals with incomes below 175% FPL, including those who are age 62 or older, or who are age 19 to 61 and meet federal disability criteria. Some of these individuals will now be eligible for MaineCare.

Potential Savings in Maine

- In SFY 2016, Maine spent an estimated \$0.3 million in State general funds for DEL individuals who could qualify for MaineCare under the expansion group
- Under expansion, it is assumed that 75% of this spending in the first year and 90% thereafter will be under MaineCare
- MaineCare expansion coverage draws a federal match, thereby generating annual State savings estimated at \$0.2 million each year

SFY	Estimated State Savings Under Expansion
2019	(\$0.2) million
2020	(\$0.2) million
2021	(\$0.2) million

3

Expansion Revenues of \$2.7 Million By SFY 2021 As Hospital Tax Base Increases



MaineCare expansion could generate additional State revenues because it increases the base to which the existing hospital tax can be applied. Legislative action would be required to adjust the base amount to reflect increased hospital revenues from expansion.

Potential Revenues in Maine

- When estimating the total increase in hospital revenues under expansion, a methodology is applied to account for an increase in Medicaid revenues for the expansion population and a decrease in revenues for individuals who shift from Marketplace coverage
- Methodology results in an estimated hospital revenue increase of \$120.7 million by SFY 2021, and applying the current tax rate of 2.23% to this amount results in annual State revenues of \$2.7 million by SFY 2021

SFY	Estimated State Revenues Under Expansion*
2019	(\$1.4) million
2020	(\$2.4) million
2021	(\$2.7) million

* As with savings, revenues are shown in parentheses to reflect an offset to expansion costs.