Medicaid Expansion - Issues & Benefits

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The burden of uncompensated care currently weighs heavily on TN providers and residents

- In 2011, health care professionals provided $4.1B in uncompensated care in Tennessee. This affects both physicians and hospitals as they incur the costs to treat these patients but receive limited compensation to offset their costs.
- Programs that currently provide safety nets for some of this uncompensated care, such as DSH*, are being greatly reduced under the current laws.
- In additional, THA estimates that Medicare cuts in current law and the cuts under consideration will cost the state $2.9B over 5 years and $7.4B over 10 years.
- THA estimates job losses due to these cuts as a loss of about 7,000 – 11,000 jobs over the next 10 years.

*Disproportionate Share Hospital adjustment payments provide additional help to those hospitals that serve a significantly disproportionate number of low-income patients.

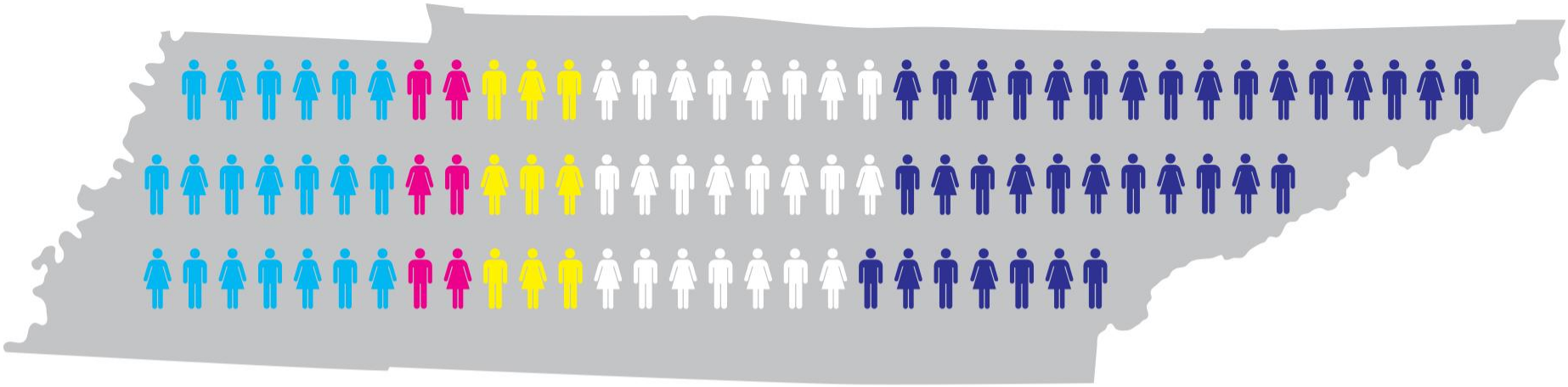
Source: Division of Healthcare Finance and Administration; Department of Health and Human Services; University of Memphis.

National Spending on Uncompensated Care

- In 2008, 45% of uncompensated care was paid for by the federal government;
- 30% was paid for by state and local governments; and
- 25% was funded by private sources, such as health care providers.
- Under the ACA, the amount of uncompensated care should decrease by half.

Source: "Timely Analysis of Immediate Health Policy Issues", Urban Institute – Robert Wood Johnson Foundation (July 2012).

Potential reduction in the burden of uncompensated care, including Medicaid expansion



Covered through expanded Medicaid (200,000)

Currently eligible, not enrolled (60,000)

Young adults eligible for coverage on parents' insurance (90,000)

Covered by exchange (230,000)

Remaining uninsured (340,000)

Note: One person equals 10,000 Tennessee residents.

Who Are the People Who Could Qualify for Medicaid Expansion?

- Expansion Eligibility – Adults at or below 138% FPL

- TennCare & SCHIP eligibility remain the same
  - TennCare eligibles are primarily low income children, pregnant women, parents of minor children, elderly or disabled
  - SCHIP eligibles are children up to age 19 whose household income is below 250% FPL

2012 Poverty Guidelines for the 48 Contiguous States and District of Columbia						
Persons in family Household	1	2	3	4	5	6
100%	11,170	15,130	19,090	23,050	27,010	30,970
138%	15,415	20,879	26,344	31,809	37,274	42,739

Source: National Federation of Independent Business et al. v. Sebelius, Secretary of HHS, et al. (6/28/12); CMS Memo re: Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid (12/10/12); Division of Healthcare Finance and Administration.

ACA Funding for Medicaid Expansion Population

Calendar Year	Percent Federal Funding	Percent State Funding
2014	100%	0%
2015	100%	0%
2016	100%	0%
2017	95%	5%
2018	94%	6%
2019	93%	7%
2020 +	90%	10%

Source: The Patient Protection and Affordable Care Act of 2010

Issue: Potential future State financial liability if the federal government backs away from the 90% funding/increased dependence on federal money

- Potential Legislative Circuit Breakers
  - Circuit Breaker to cap the % the state will support (like AZ did with their Medicaid expansion)
  - Circuit Breaker to cap total $ outlays (like Gov. Bredesen did with SCHIP)
  - Circuit Breaker to eliminate impact of any new “Maintenance of Effort” requirement on expansion population
- Potential remedies
  - Exit Medicaid expansion altogether
  - Stop or reduce enrollment of expansion members
  - Reduce beneficiary benefits
  - Deposit a portion of savings into a Health Savings Account (like Michigan)

Source: Governor Bredesen presentation at Vanderbilt University School of Nursing; The New York Times, Crain’s Detroit Business

Issue: Expansion of Federal Debt

- Since funding for Medicaid expansion mostly comes from federal spending, how can we do this with the national debt?
  - The amount saved on the federal level by Tennessee choosing NOT to expand would be.007% - of the debt.
  - Federal cost of TN expansion (1.2B) ÷ Federal debt (16.5T) = .007%
- The health of the citizens of Tennessee and the economic benefits to our state far outweigh those federal concerns.

Benefits to Medicaid Expansion

Provide coverage for 181,000 – 225,000 Tennessee uninsured residents

- Eliminates the uncompensated care costs for those individuals
  - Patients are able to access care
  - State saves expenses for uncompensated care
  - Health care providers receive payment for services rendered
  - Businesses may experience reduced premiums

- Utilization pattern improvement
  - ER visits shift to Primary Care providers
  - Increase preventative care and wellness
  - Increase in compliance with medication regimens

- Patient health is improved significantly
- State pays for much less expensive services
- Health care providers see patients in the best setting for the patient's condition
- Businesses save money, experience less absenteeism, and increase productivity

Source: University of Memphis; BCBST; American Journal of Managed Care; Division of Healthcare Finance and Administration.

Tax Dollars Benefit Tennesseans

- Tennessee tax dollars will return to the State through funding for Medicaid Expansion.
- Funding for Tennessee Medicaid Expansion is paid for through tax dollars from all 350M Americans.
- Tennessee taxpayers should not only support other states.

Source: Division of Healthcare Finance and Administration; Tennessee Hospital Association; University of Memphis; Team analysis.

Economic Impact

The federal dollars flowing into the state will result in: more jobs for Tennesseans, increase our economic output and higher tax revenue for the State, which will partially offset the cost of expansion.

- 20,000 new jobs for Tennesseans (2015-2019)
- $6.5B in Federal funds (2014-2019) for $200M in State funds (2017-19)
- $16.9B in new economic output for Tennessee (2014-2019)

Source: Division of Healthcare Finance and Administration; University of Memphis; Team analysis.

Medicaid Expansion is the Right Choice for Tennessee

Who Benefits?

Patients:

- Gain access to health care
- Gain early and preventative care
- Protection from catastrophic health events

State:

- Saves on uncompensated care costs
- Creates new jobs
- Creates additional tax revenue

Health care providers:

- Reduces amount of uncompensated care
- Offsets cuts from Medicare
- Receive payment for services provided

Business:

- Creates jobs
- Increases Consumer spending
- Reduces premiums for employees and families

All Tennesseans

- Improves health
- Reduces Costs
- Creates jobs
- Tax dollars support our own

We All Benefit

Appendix

Benefits to Medicaid Expansion

State Fiscal Year	2014	2015	2016	2017	2018	2019	2014-2019
New Enrollees (number)	144,500	161,900	172,300	175,400	178,500	181,700	
Federal Match rate	100%	100%	100%	95%	94%	93%	
State share ($ million)	0	0	0	31	74	95	**199**
Federal share ($ million)	506	1,133	1,206	1,201	1,155	1,257	**6,458**
Fiscal Year Total ($ million)	506	1,133	1,206	1,232	1,228	1,351	**6,657**
Change in Total Output ($ million)	1,216	2,807	3,077	3,156	3,125	3,503	**16,884**
Change in Earnings ($ million)	412	952	1,043	1,070	1,059	1,187	**5,724**
Total Increase in Jobs (number)	8,427	18,883	20,097	20,015	19,239	20,942	**107,605**

- Data pulled directly from Division of Healthcare Finance and Administration estimate on Medicaid expansion
- Calculated from Division of Healthcare Finance and Administration estimates
- Calculated from University of Memphis reports

Source: Division of Healthcare Finance and Administration; U. of Memphis Reports: "Impacts of Health Reform in Tennessee – An Examination of Changes in Health Insurance Coverage, Use of Health Care Resources, and the Implications on Health Care Manpower" (Jan. 2012); "A Study of the Economic Impacts of the Patient Protection & Affordable Care Act on Tennessee" (March 2012); Team analysis.

What if Congress Enacts a New MOE Requirement After Expansion?

- Congress should be unwilling to enact new MOE in light of Court's ruling. However, to address the possibility of a new MOE requirement a separate circuit breaker could be written into TN legislation.
  - TN could/would withdraw automatically from Medicaid expansion prior to enactment of any new MOE requirement that might be passed by Congress.

- The United States Supreme Court decision gave states a choice on whether to expand/not.
  - Thus, any new MOE requirement that might be imposed could be countered by "dropping coverage" of the expansion group.

- Secretary Sebelius is already on record stating that a state may drop coverage to the expanded group.
  - CMS wrote: "A state may choose whether and when to expand, and, **if a state covers the expansion group, it may decide later to drop coverage."**

Source: National Federation of Independent Business et al. v. Sebelius, Secretary of HHS, et al. (6/28/12); CMS Memo re: Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid (12/10/12); CMS Memo of December 10, 2012 re: "Frequently Asked Questions on Exchanges, Market Reforms, and Medicaid."

Increasing coverage at Medicaid rates:

- Hospitals agreed to $155B in cuts over 10 years to help fund the ACA. The increase in insured people, even at Medicaid rates, would greatly reduce the amount of uncompensated care they provide. So, for hospitals, getting uninsured individuals covered by Medicaid is positive.

- PCPs will see an increased demand for their services, increasing the critical access issue with primary care.
  - Possible Responses:
    - Increase recruitment of physicians and physician extenders.
    - Increase FQHCs, which were expanded under President Bush.

- There will be an increased demand for specialty services as well, but with Medicaid rates much lower than other payors, specialists may decide to pull out of the Medicaid network.
  - Possible Response: Consider alternative payment models such as shared savings programs or bundled payments.

Source: The Commonwealth Fund; Tennessee Hospital Association.