

EXPANDING MEDICAID IN OHIO

preliminary analysis of likely effects

Revised: February 26, 2013



Funded by
The Health Foundation of Greater Cincinnati, The Mt. Sinai Health Care Foundation
and The George Gund Foundation

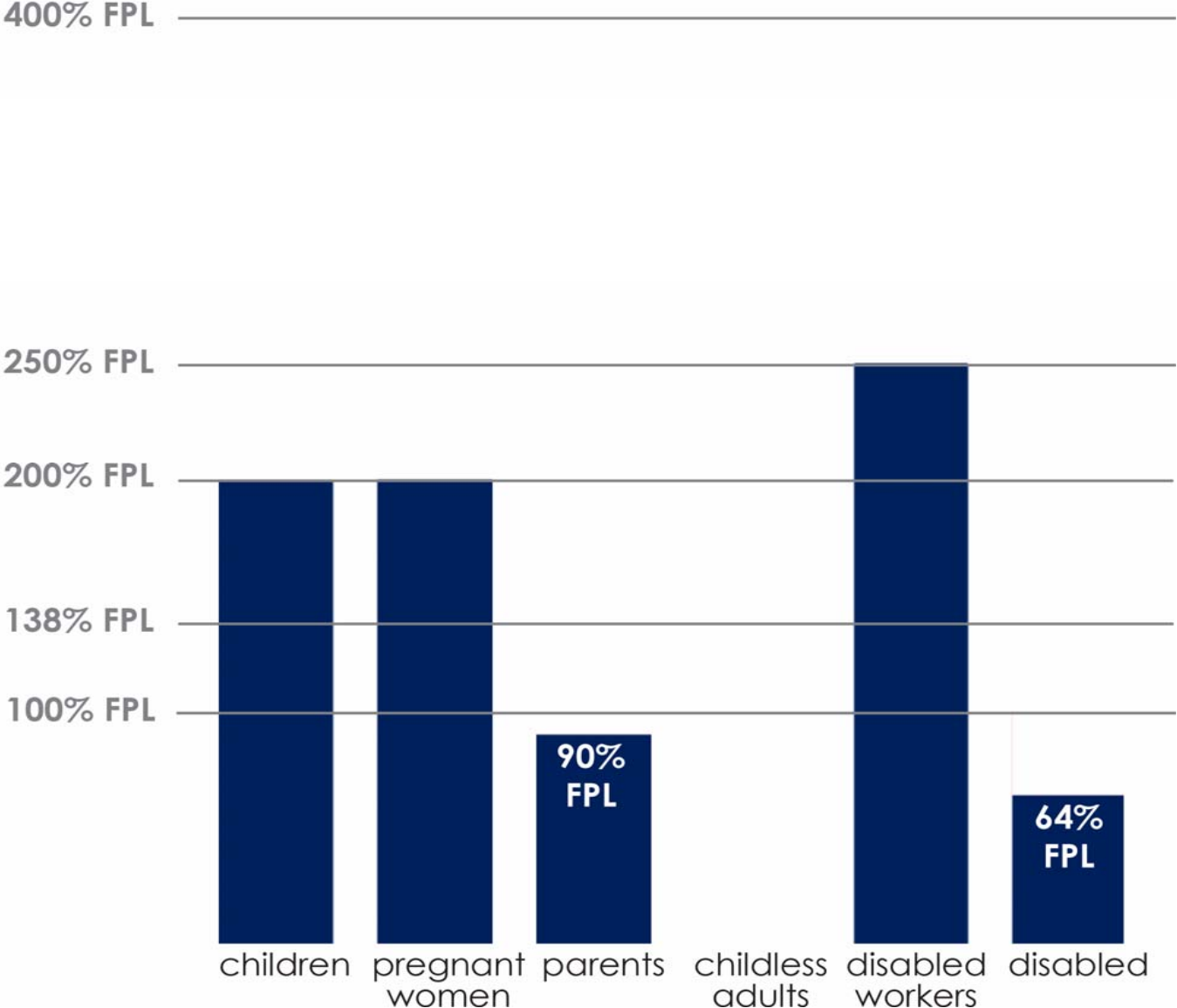
About the study

- Partnership of Regional Economic Models, Inc., the Urban Institute, Ohio State University and Health Policy Institute of Ohio
- Funded by the Health Foundation of Greater Cincinnati, the Mt. Sinai Health Care Foundation and the George Gund Foundation
- Designed to analyze the impact of potential Medicaid expansion on:
 - The state budget
 - Ohio economic growth and jobs
 - The number of uninsured
 - Health coverage, jobs, economic growth, and revenue for regions within the state and some individual counties (to be released in late February or early March)

Key questions

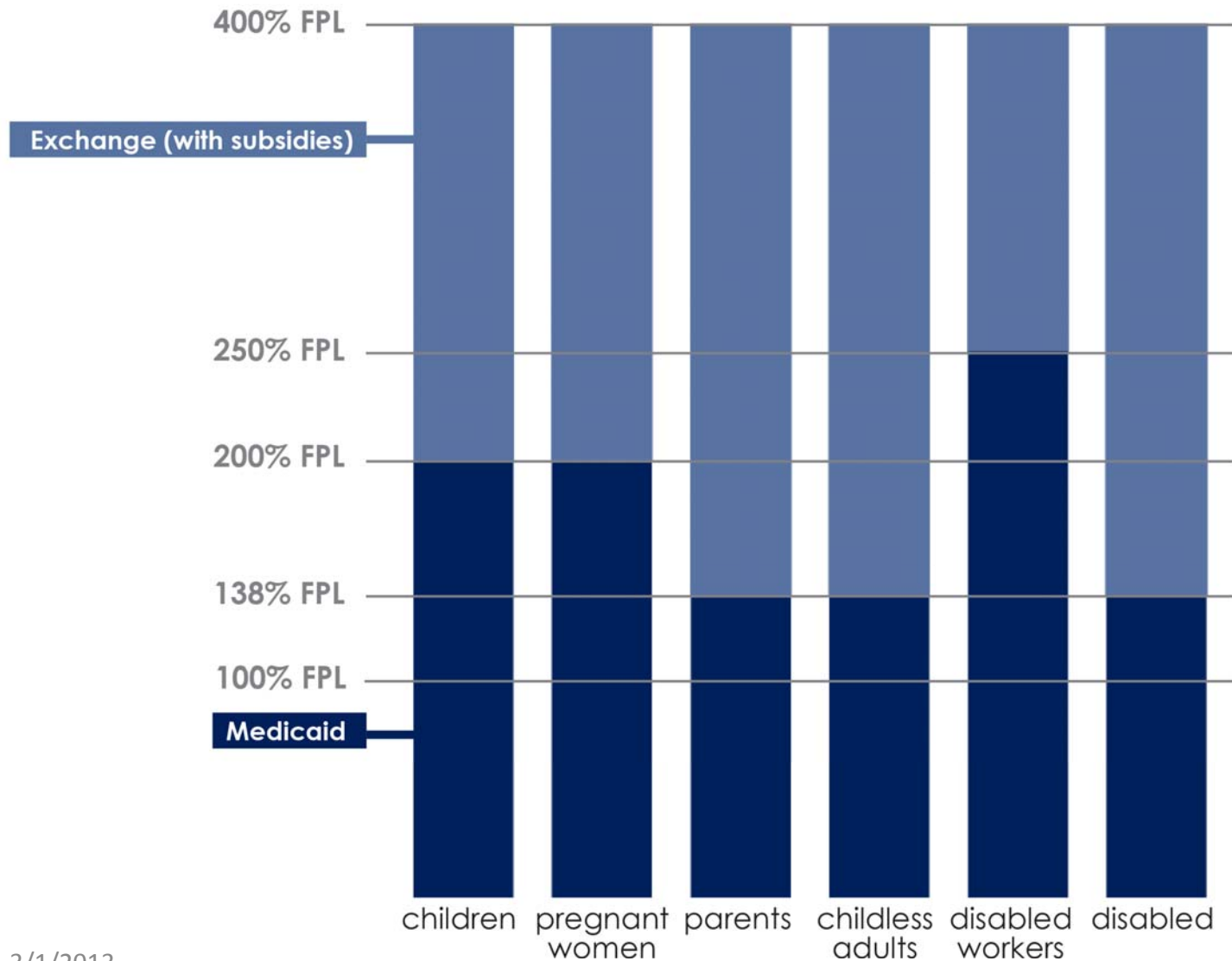
1. Does a Medicaid expansion generate **new state Medicaid costs**?
2. Does a Medicaid expansion allow **state budget savings**?
3. How does a Medicaid expansion **affect state revenue**?
4. What is a Medicaid expansion's **net impact on the state budget**?
5. How else does a Medicaid expansion **affect Ohioans**?
6. What impacts will the state experience from the ACA even **if Medicaid is not expanded**?

Current Medicaid eligibility



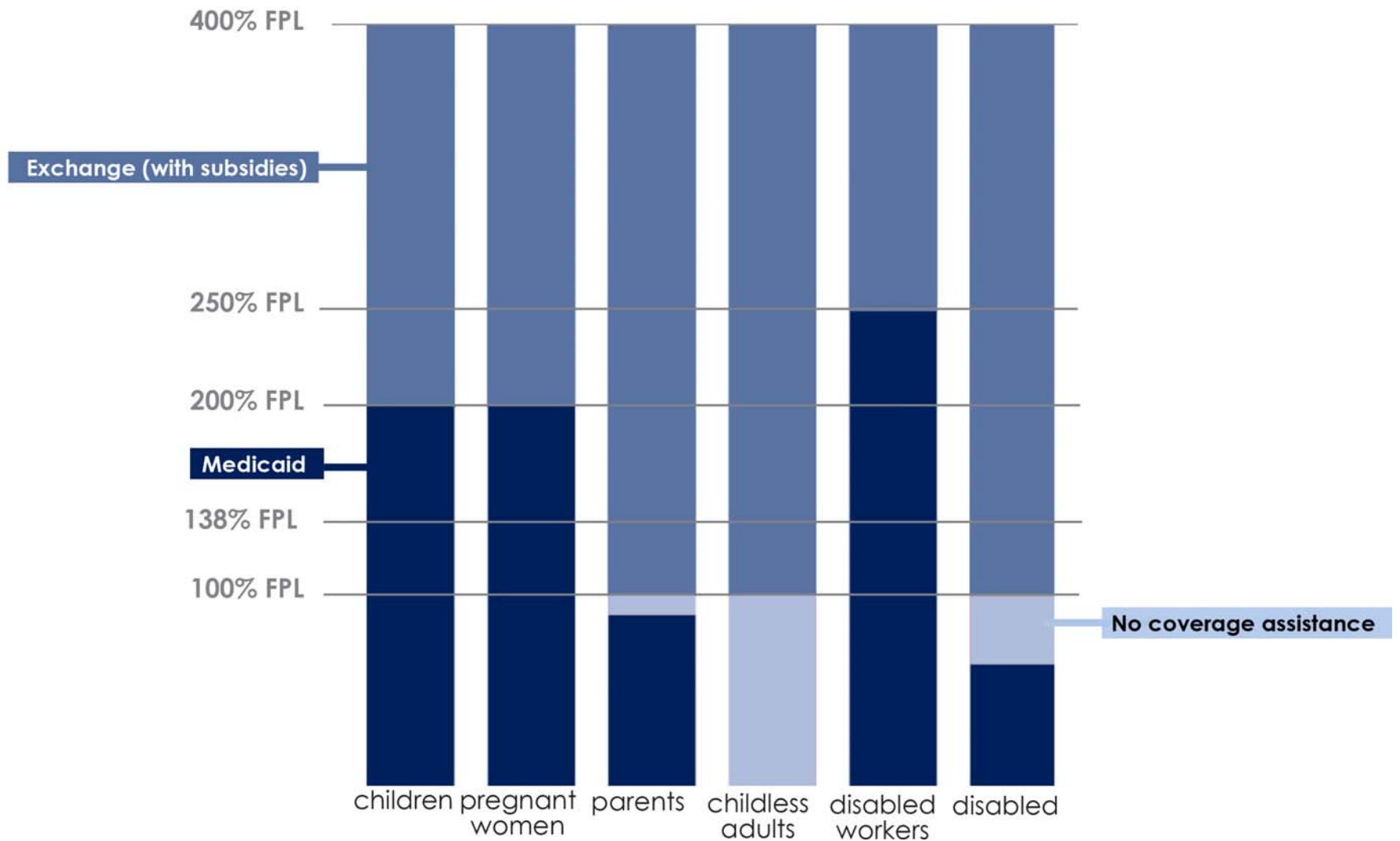
Subsidized health coverage eligibility for Ohioans in 2014

with ACA Medicaid expansion



Subsidized health coverage eligibility for Ohioans in 2014

without ACA Medicaid expansion



2013 Federal Poverty Level (FPL) Guidelines

(by household size)

	64%	90%	100%	138%	200%	250%	400%
1	\$7,354	\$10,341	\$11,490	\$15,856	\$22,980	\$28,725	\$45,960
2	\$9,926	\$13,959	\$15,510	\$21,404	\$31,020	\$38,775	\$62,040
3	\$12,499	\$17,577	\$19,530	\$26,951	\$39,060	\$48,825	\$78,120
4	\$15,072	\$21,195	\$23,550	\$32,499	\$47,100	\$58,875	\$94,200

Note: Annual guidelines for all states except Alaska, Hawaii and DC. For each additional person, add \$4,020

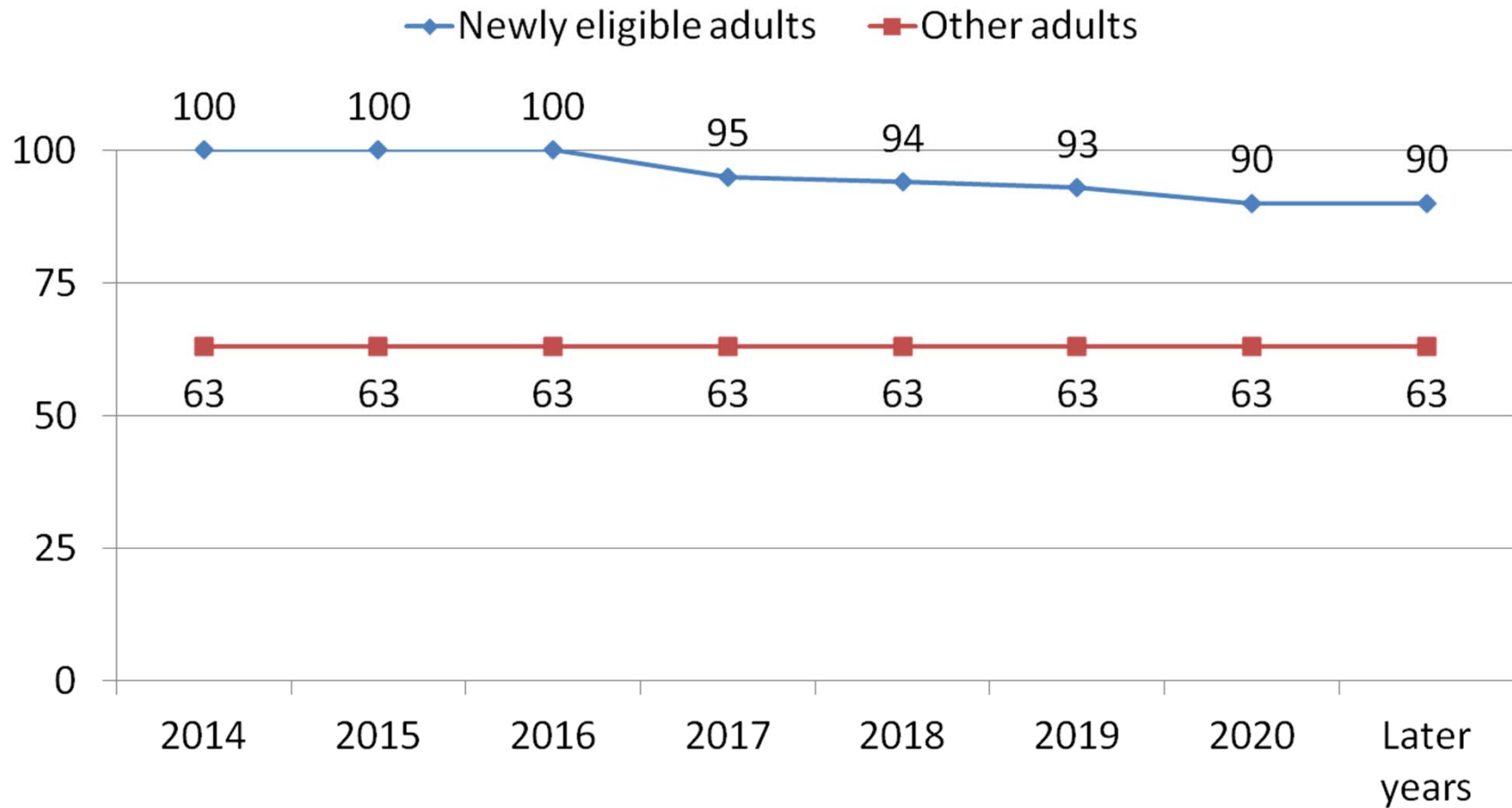
Source: *Federal Register*, January 24, 2013



Does a Medicaid expansion generate **new state Medicaid costs**?

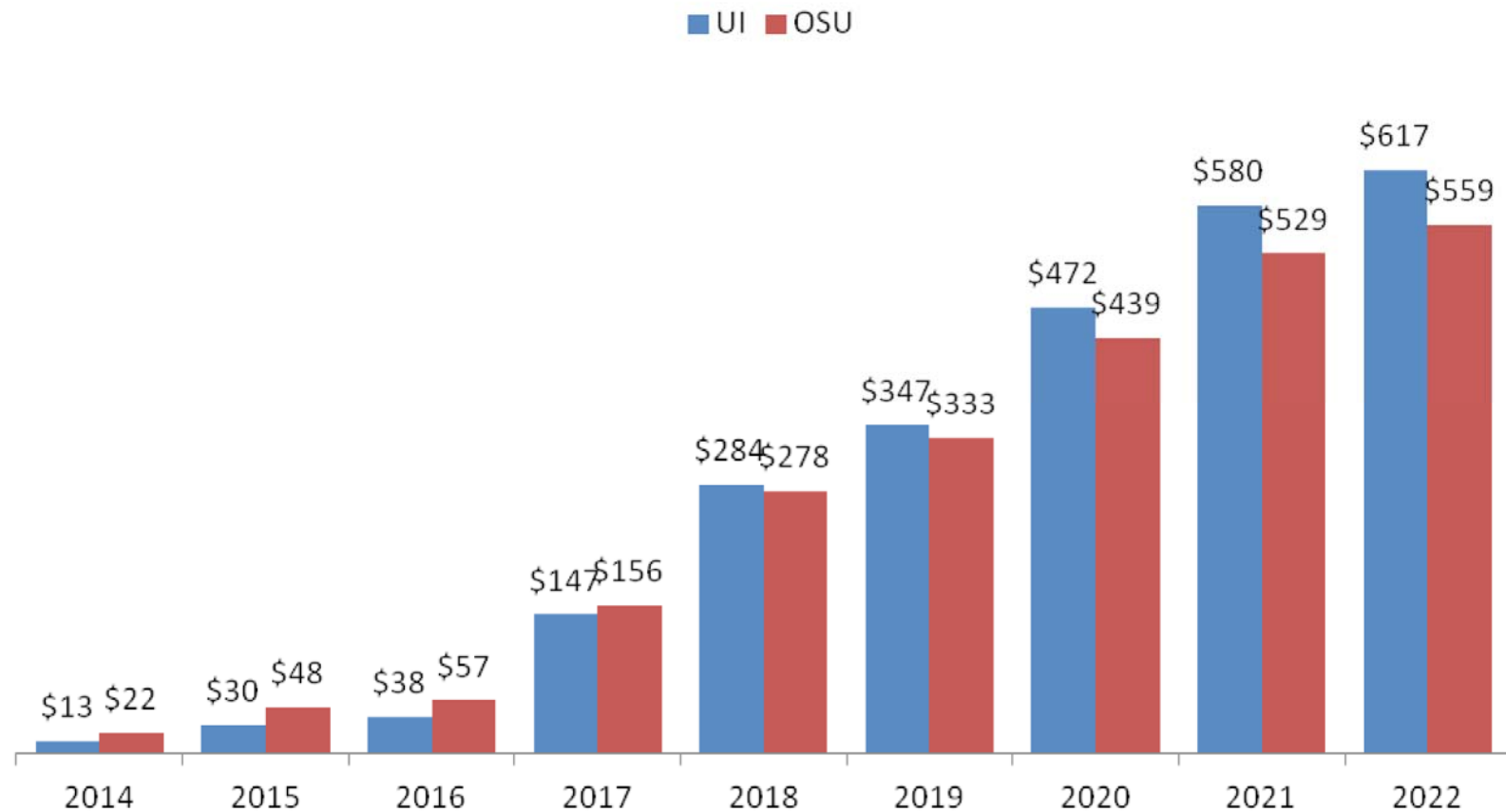
Federal government share

Percentage of health care costs paid by the federal government, newly eligible adults vs. other adults: 2014-2020 and beyond



State cost of expansion

Impact of Medicaid expansion on state Medicaid spending: FY 2014-2022 (millions)



Source: Urban Institute HPSM 2013; OSU 2013. Note: Estimates include effects of ACA insurance premium fee, Figure does not include higher federal matching rates for certain current-law beneficiaries.

Note: Estimates include effects of ACA insurance premium fee, Figure does not include higher federal matching rates for certain current-law beneficiaries.

What about Medicaid administrative costs?

- The ACA's non-expansion provisions will affect state administrative costs
 - Changes to eligibility, including major investments in information technology
 - Increase # of applications
 - Increases in provider payment increases and other requirements
 - Medicaid must process applications that arrive from the HIX
 - Federal funding will cover a much higher percentage of IT eligibility costs
- Medicaid expansion administrative costs
 - Factors that increase costs
 - Some additional increase in initial applications
 - More eligibility redeterminations
 - More fee-for-service claims
 - Factors that reduce costs
 - Fewer spend-down determinations
 - Fewer disability determinations
 - Fewer retroactive and backdated eligibility determinations
 - Fewer fair hearings for eligibility denials



Does a Medicaid expansion allow
state budget savings?

Adults with spend-down

would become newly eligible adults,
receiving higher federal match

- Today, they qualify after incurring medical bills
- With expansion, they would qualify immediately as newly eligible adults, without incurring medical bills
- Medicaid would cover more of their health costs, but **the federal government would pay a much higher share of their Medicaid costs, resulting in net state savings**

Fiscal year	Net savings on spend-down adults (millions)
2014	\$36
2015	\$74
2016	\$78
2017	\$80
2018	\$82
2019	\$86
2020	\$87
2021	\$91
2022	\$96
Total:	\$709

Source: OSU 2013.

Women with breast and cervical cancer

would become newly eligible adults, receiving higher federal match

- Today, they qualify for the Breast and Cervical Cancer Program (BCCP) after receiving a diagnosis from a CDC-affiliated clinic
- With an expansion, they would qualify immediately as newly eligible adults, with the federal government paying a higher share of costs, resulting in state savings

Fiscal year	BCCP savings (millions)
2014	\$2
2015	\$5
2016	\$5
2017	\$5
2018	\$6
2019	\$6
2020	\$6
2021	\$6
2022	\$7
Total:	\$48

Source: OSU 2013. *Note:* The current BCCP program has federal matching rates between standard and ACA levels. Estimates assume that all new BCCP enrollees receive Medicaid as newly eligible adults. If some enroll instead in the exchange, state savings would increase, because the state would not spend anything for their care. However the latter savings would occur with or without expansion.

Inpatient prison health care

would be covered by Medicaid

- Medicaid does not cover most prison health care, but it can cover inpatient and institutional care that inmates receive off the prison grounds.
- Almost all prisoners would qualify as newly eligible adults under an expansion.

Fiscal year	Savings on inpatient care to prisoners (millions)
2014	\$15
2015	\$31
2016	\$32
2017	\$32
2018	\$32
2019	\$32
2020	\$33
2021	\$33
2022	\$34
Total:	\$273

Source: OSU 2013.

Retroactive and backdated eligibility

Impact of Medicaid expansion on state costs FY 2014-2022 (millions)

Fiscal year	Net savings on retroactive eligibility spending	Net savings on backdated eligibility spending	Total savings on backdated and retroactive eligibility
2014*	\$0	\$0	\$0
2015	\$0	\$0	\$0
2016	\$26	\$44	\$70
2017	\$27	\$47	\$74
2018	\$28	\$48	\$76
2019	\$29	\$50	\$79
2020	\$30	\$52	\$82
2021	\$31	\$54	\$85
2022	\$33	\$57	\$90
Total:	\$204	\$352	\$556

*Assumes savings begin in SFY 16 after full take up has occurred and change in spending is documented and gets reflected in budgeting process.

Source: OSU 2013

Impact on local mental health costs

Medicaid would cover some mental health and substance abuse treatment for the previously uninsured poor

- State and local funds paid \$98 million in FY 2011 for services to the uninsured and underinsured that could have been covered by Medicaid. (*Source: MHAC and CCS 2012*)
- SFY 2013: Approximately \$60 million in state mental health funding (MH 335-505 allocation)
- SFY 2013: Approximately \$10 million in state alcohol and drug addiction funding (ADA 401 and 475 allocations)
- With exception of \$14.6 million designated for specific MH purposes, consistent data not available for use of funds
- NOTE: Even with a Medicaid expansion, funding needed for those who remain uninsured and for services not in Medicaid benefit package.

Other possible savings

- Enhanced federal match for **family planning waiver program** participants, who become newly eligible adults
- Pending federal policy decisions, the following groups could receive greatly increased federal matching payments as newly eligible adults up to 138 percent of FPL:
 - **Pregnant women**
 - **Transitional Medical Assistance (TMA) families**
- Savings on other **state non-Medicaid programs** that provide health care to the poor uninsured
- Potentially reduced **criminal justice costs** if the poor and near-poor uninsured receive improved access to mental health and substance abuse treatment



Does a Medicaid expansion
increase state revenue?

More Medicaid managed care enrollment

would increase state sales tax and insurance tax revenue

- Managed care premium payments include:
 - 5.5 percent state sales tax
 - 1.0 percent state health insurance tax
- With expansion, most new Medicaid spending will pay managed care premiums

Fiscal year	UI	OSU
2014*	\$33	\$46
2015	\$108	\$132
2016	\$155	\$164
2017	\$190	\$183
2018	\$214	\$195
2019	\$230	\$206
2020	\$245	\$218
2021	\$262	\$230
2022	\$279	\$243
Total:	\$1,717	\$1,617

Source: Urban Institute HIPSM 2013. *Note:* This table includes both state and federal payments for tax surcharges, since our cost estimates include state payment of these taxes. Because state payment of managed care taxes is treated in the same way for both cost estimates and revenue estimates, the two estimates can be combined to show net state budget effects. The table also takes into account revenue lags.

Increase in federal Medicaid funds

under Urban Institute and OSU estimates FY 2014-2022 (millions)

Fiscal year	UI	OSU
2014	\$1,000	\$1,339
2015	\$2,466	\$2,862
2016	\$3,282	\$3,346
2017	\$3,802	\$3,598
2018	\$4,076	\$3,690
2019	\$4,295	\$3,858
2020	\$4,495	\$3,991
2021	\$4,723	\$4,152
2022	\$5,026	\$4,386
Total:	\$33,165	\$31,222

Source: Urban Institute HIPSM 2013; OSU 2013.

State sales and income tax revenue

resulting from Medicaid expansion : FY 2014-2022 (millions)

Fiscal year	UI	OSU
2014	\$25	\$35
2015	\$61	\$76
2016	\$82	\$87
2017	\$97	\$94
2018	\$106	\$97
2019	\$113	\$101
2020	\$118	\$104
2021	\$124	\$108
2022	\$132	\$114
Total:	\$857	\$816

Source: Urban Institute HIPSM 2013; OSU 2013, REMI, 2013

Prescription drug rebates

resulting from Medicaid expansion : FY 2014-2022 (millions)

Fiscal year	UI	OSU
2014	\$1	\$1
2015	\$3	\$4
2016	\$3	\$5
2017	\$20	\$21
2018	\$25	\$25
2019	\$31	\$31
2020	\$43	\$42
2021	\$45	\$45
2022	\$47	\$47
Total:	\$218	\$221

Source: Urban Institute HIPSM 2013; OSU 2013.



What is the **net effect on the state budget?**

Overall impact of Medicaid expansion on the state budget

under UI and OSU estimates (millions)

Fiscal year	Increased state costs from more Medicaid enrollment		Savings (spend-down adults, BCCP, inpatient prison costs, retroactive and other pre-MCO costs)	Revenue (taxes on managed care plans, general revenue, drug rebates)		Net state fiscal gains	
	UI	OSU		UI	OSU	UI	OSU
2014	\$13	\$22	\$53	\$59	\$82	\$99	\$113
2015	\$30	\$48	\$110	\$172	\$212	\$252	\$274
2016	\$38	\$57	\$185	\$240	\$256	\$387	\$384
2017	\$147	\$156	\$191	\$307	\$298	\$351	\$333
2018	\$284	\$278	\$196	\$345	\$317	\$257	\$235
2019	\$347	\$333	\$203	\$374	\$338	\$230	\$208
2020	\$472	\$439	\$208	\$406	\$364	\$142	\$133
2021	\$580	\$529	\$215	\$431	\$383	\$66	\$69
2022	\$617	\$559	\$226	\$458	\$404	\$67	\$71
Total:	\$2,529	\$2,421	\$1,587	\$2,792	\$2,654	\$1,851	\$1,820

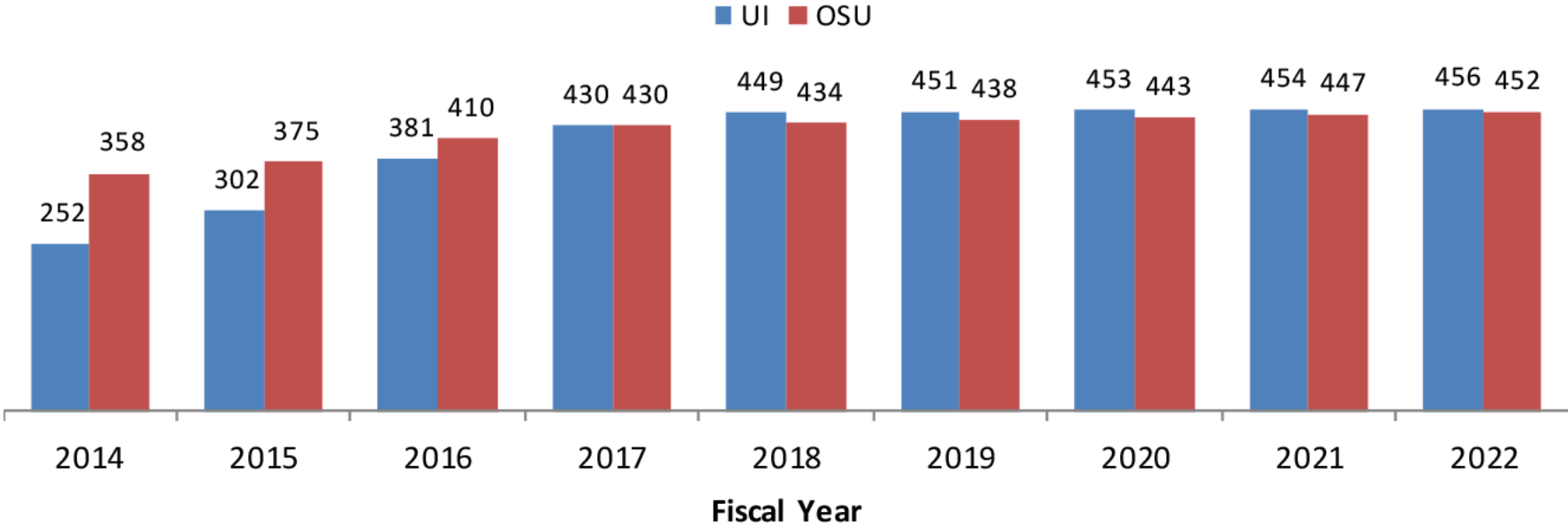
Source: OSU 2013; Urban Institute HIPSM 2012; REMI 2013. Note: "UI" refers to Urban Institute estimates. Table does not include possible savings from obtaining higher federal matching funds for people with incomes below 138 percent FPL who currently receive Medicaid through Transitional Medical Assistance, the family planning waiver, pregnancy-based coverage, or Medicaid Buy-In for Working People with Disabilities. It also does not include savings from existing state spending, other than on inpatient care for prisoners, that goes to provide medical services to the uninsured.

How does a Medicaid expansion affect Ohioans?



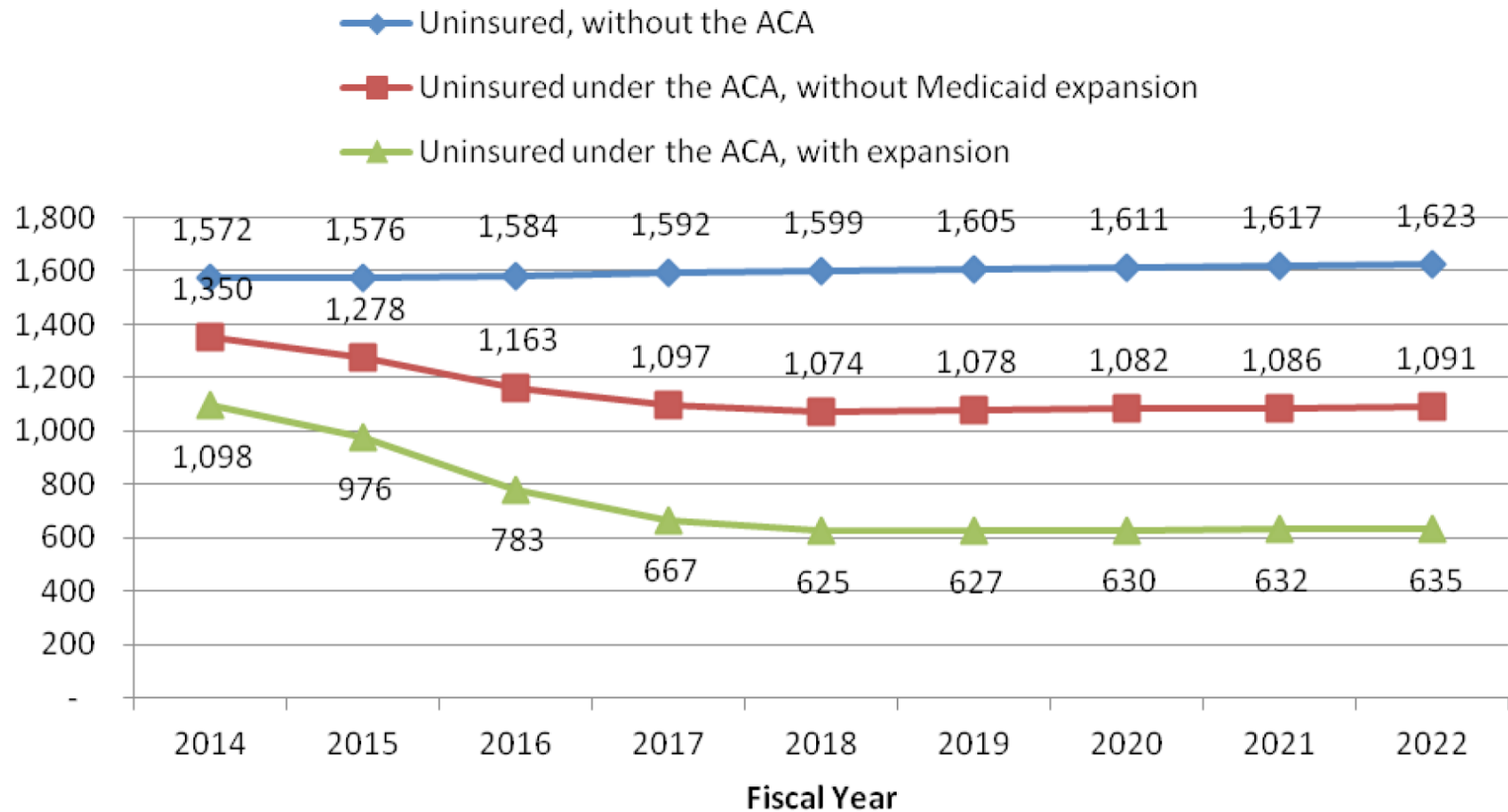
Uninsured Ohioans who would gain coverage

from Medicaid expansion : FY 2014-2022 (thousands)



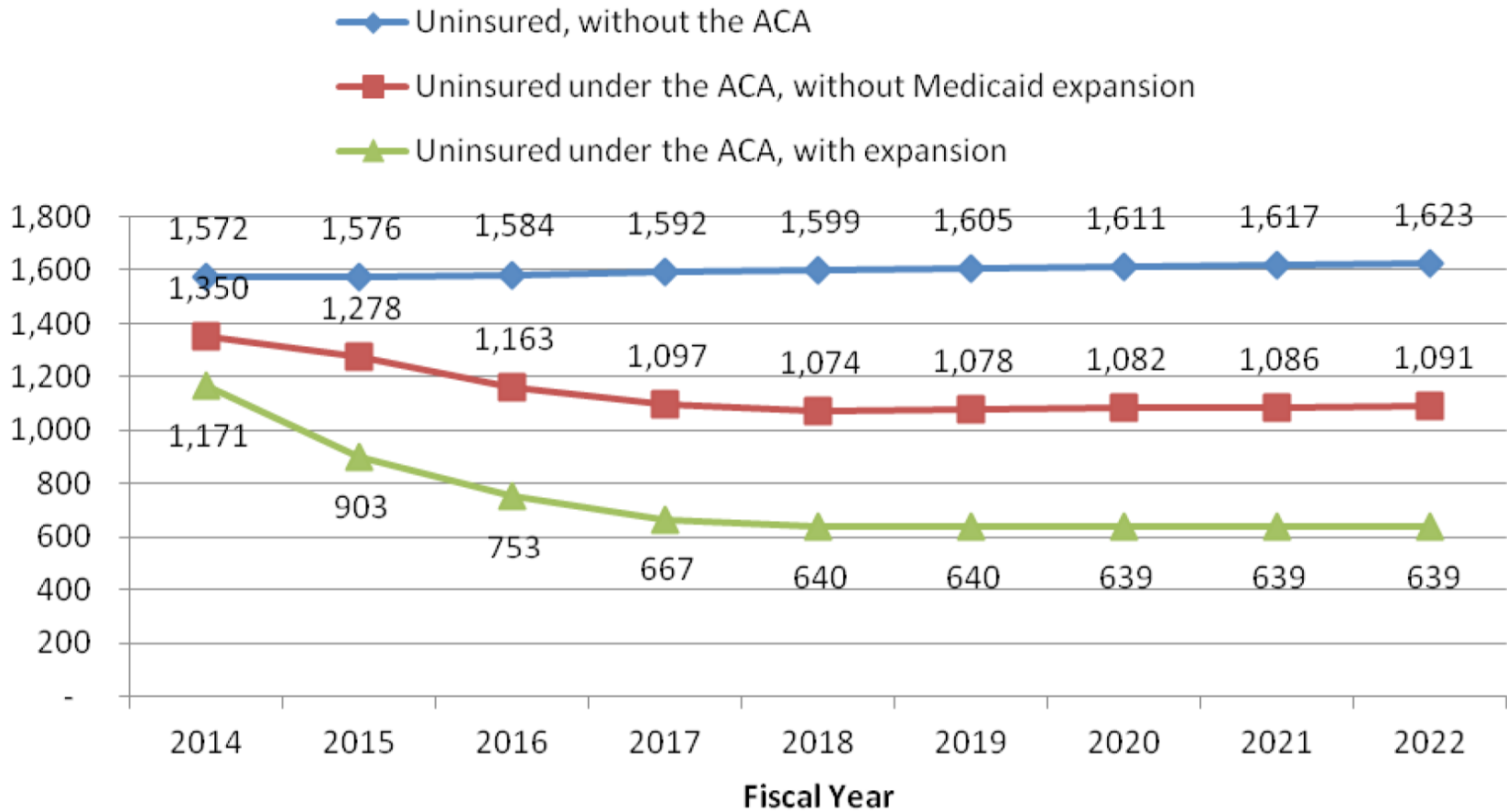
Source: Urban Institute HIPSM 2013; OSU 2013. **Note:** FY 2014 results are for January through June 2014. Figure shows the difference between the total number of uninsured, with and without a Medicaid expansion, in each year. It does not show the number of additional uninsured who will gain coverage each year. Figure shows net effects of changes to Medicaid and private coverage. Figure shows the impact of Medicaid expansion. Figure does not include the uninsured who will gain coverage under the ACA's other provisions.

figure 5. The number of Ohio uninsured, with and without the ACA, with and without a Medicaid expansion, under Urban Institute estimates (thousands)



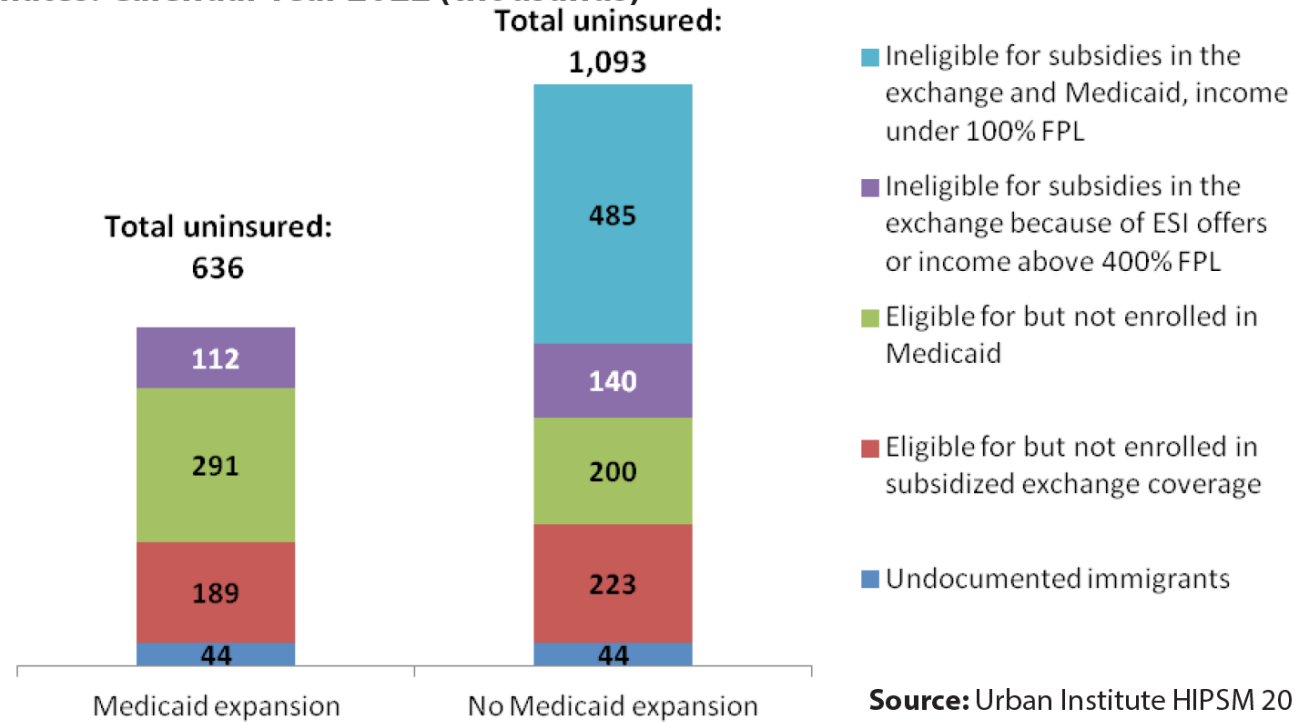
Source: Urban Institute HPSM 2013. FY 2014 results are for January through June 2014.

figure 6. The number of Ohio uninsured, with and without the ACA, with and without a Medicaid expansion, under OSU estimates (thousands)



Source: OSU 2013. FY 2014 results are for January through June 2014.

figure 7. Uninsured Ohioans under the ACA, with and without a Medicaid expansion under Urban Institute estimates: Calendar Year 2022 (thousands)



Source: Urban Institute HIPSM 2013.

Effects on the Ohio economy

Under Urban Institute estimates

Fiscal year	Increased employment	Increased earnings (millions)	Increased economic activity (millions)
2014	9,459	\$487	\$663
2015	22,657	\$1,227	\$1,614
2016	28,384	\$1,660	\$2,077
2017	31,210	\$1,963	\$2,348
2018	32,033	\$2,168	\$2,480
2019	31,989	\$2,317	\$2,550
2020	31,599	\$2,429	\$2,594
2021	31,401	\$2,551	\$2,656
2022	31,872	\$2,718	\$2,779
Total:		\$17,520	\$19,761

Source: Urban Institute/HIPSM 2013; REMI 2013. Note: Results show the effects of Medicaid expansion, based on increased federal funding buying Ohio health care, including increased federal Medicaid dollars and fewer federal exchange subsidy dollars. Results shown here do not include effects of other ACA provisions.

Effects on the Ohio economy

Under OSU estimates

Fiscal year	Increased employment	Increased earnings (millions)	Increased economic activity (millions)
2014	13,625	\$700	\$949
2015	28,162	\$1,528	\$1,990
2016	29,831	\$1,770	\$2,170
2017	29,712	\$1,908	\$2,223
2018	28,640	\$1,987	\$2,206
2019	28,226	\$2,087	\$2,238
2020	27,435	\$2,148	\$2,239
2021	26,900	\$2,222	\$2,262
2022	27,056	\$2,340	\$2,345
Total:		\$16,689	\$18,622

Source: OSU 2013; REMI 2013. Note: Results show the effects of Medicaid expansion, based on increased federal funding buying Ohio health care, including increased federal Medicaid dollars and fewer federal exchange subsidy dollars. Results shown here do not include effects of other ACA provisions. Columns may not total due to rounding.

Impact on Ohio health care costs

The effect of Medicaid expansion on health care costs for Ohio employers and consumers (millions)

Without a Medicaid expansion:

- Employers will provide health coverage to some poor or near-poor consumers who, under the ACA's original design, were slated to be enrolled in Medicaid
- Poor and near-poor consumers who could have enrolled in Medicaid instead will be uninsured or obtain insurance with cost-sharing well above Medicaid levels

Fiscal year	Increased employer costs, without an expansion	Increased consumer costs, without an expansion
2014	\$9	\$308
2015	\$61	\$657
2016	\$135	\$733
2017	\$191	\$803
2018	\$222	\$865
2019	\$236	\$920
2020	\$252	\$979
2021	\$268	\$1,042
2022	\$285	\$1,109
Total:	\$1,659	\$7,415

County sales tax revenue

FY 2014-2022 (millions)

Fiscal year	UI	OSU
2014	\$9	\$12
2015	\$27	\$32
2016	\$36	\$37
2017	\$43	\$41
2018	\$48	\$43
2019	\$51	\$46
2020	\$54	\$48
2021	\$58	\$51
2022	\$62	\$54
Total:	\$387	\$364

Source: Urban Institute HPSM 2013; OSU 2013. Estimates assume the same revenue lags that apply to state sales taxes. Note: Columns may not total due to rounding.

Other economic considerations for counties

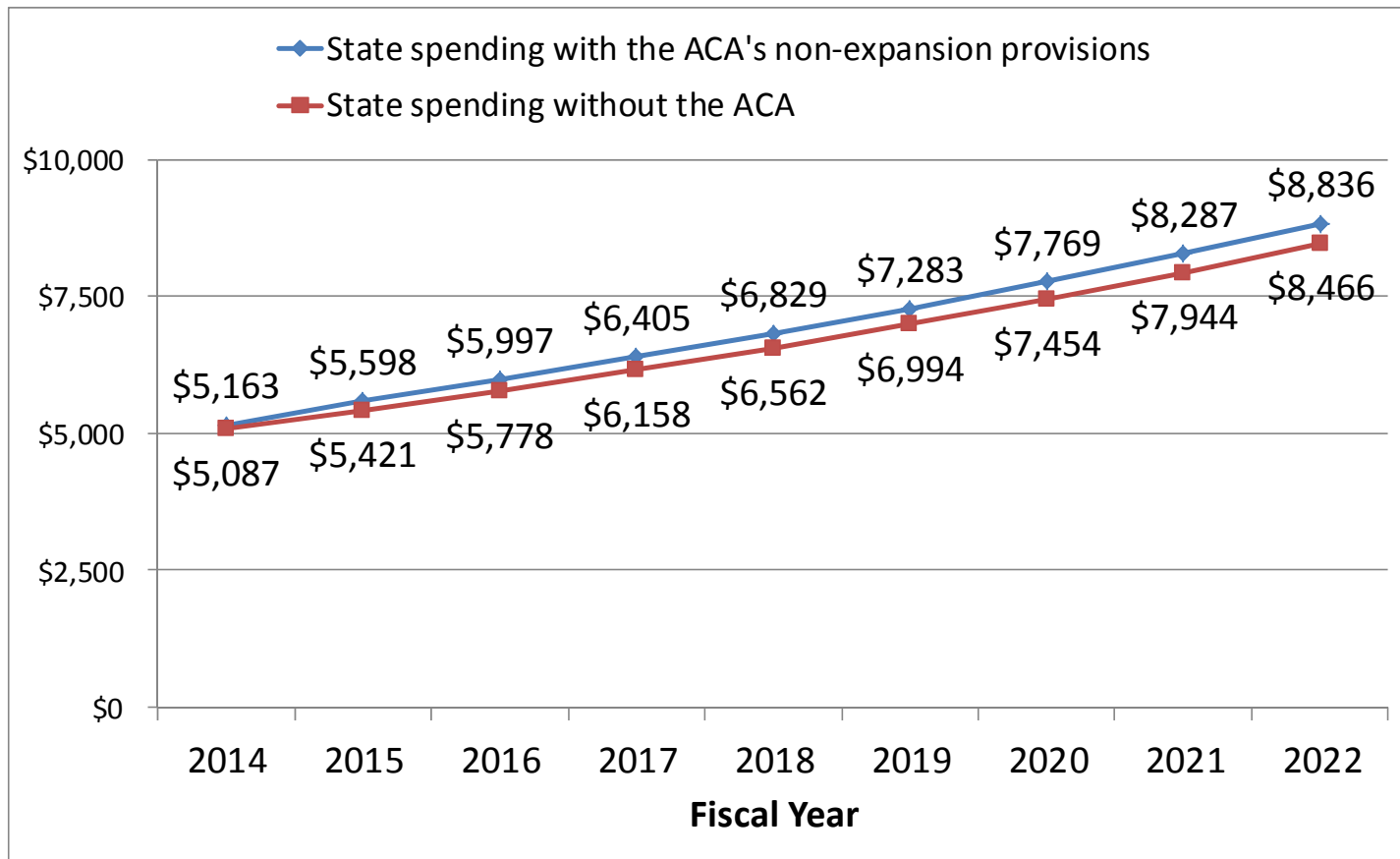
- With an expansion, Medicaid will pay for many people who otherwise would have received health care funded entirely at county expense. Accordingly, some counties can reduce or reinvest the prior health care spending for people who are poor and uninsured.
- Increased economic activity due to more federal Medicaid dollars buying Ohio health care will increase general county revenues.



What budget effects will the ACA create even **if Medicaid is not expanded?**

Impact of the ACA's non-expansion provisions on state Medicaid costs

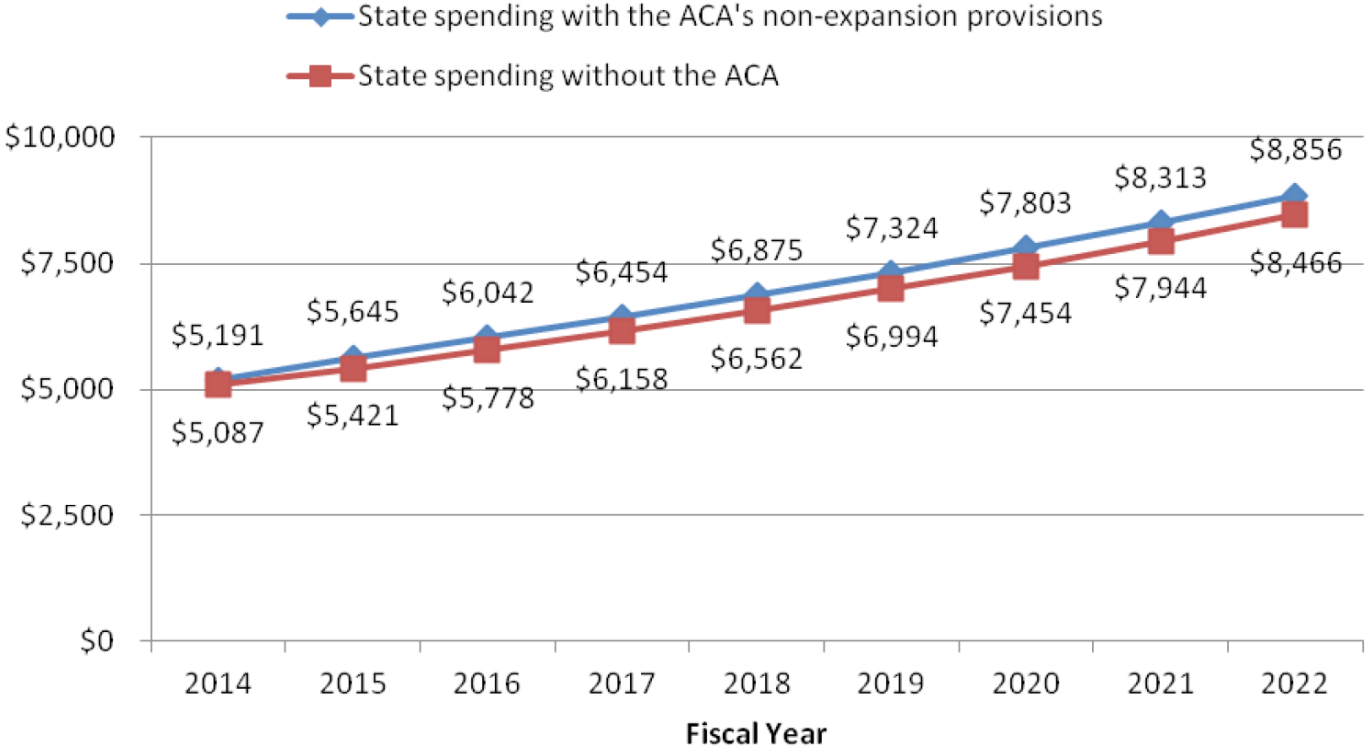
FY 2014-2022 (millions)



Source: Urban Institute HIPSM 2013.

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figure 9. Impact of the ACA's non-expansion provisions on state Medicaid costs under OSU estimates (millions)

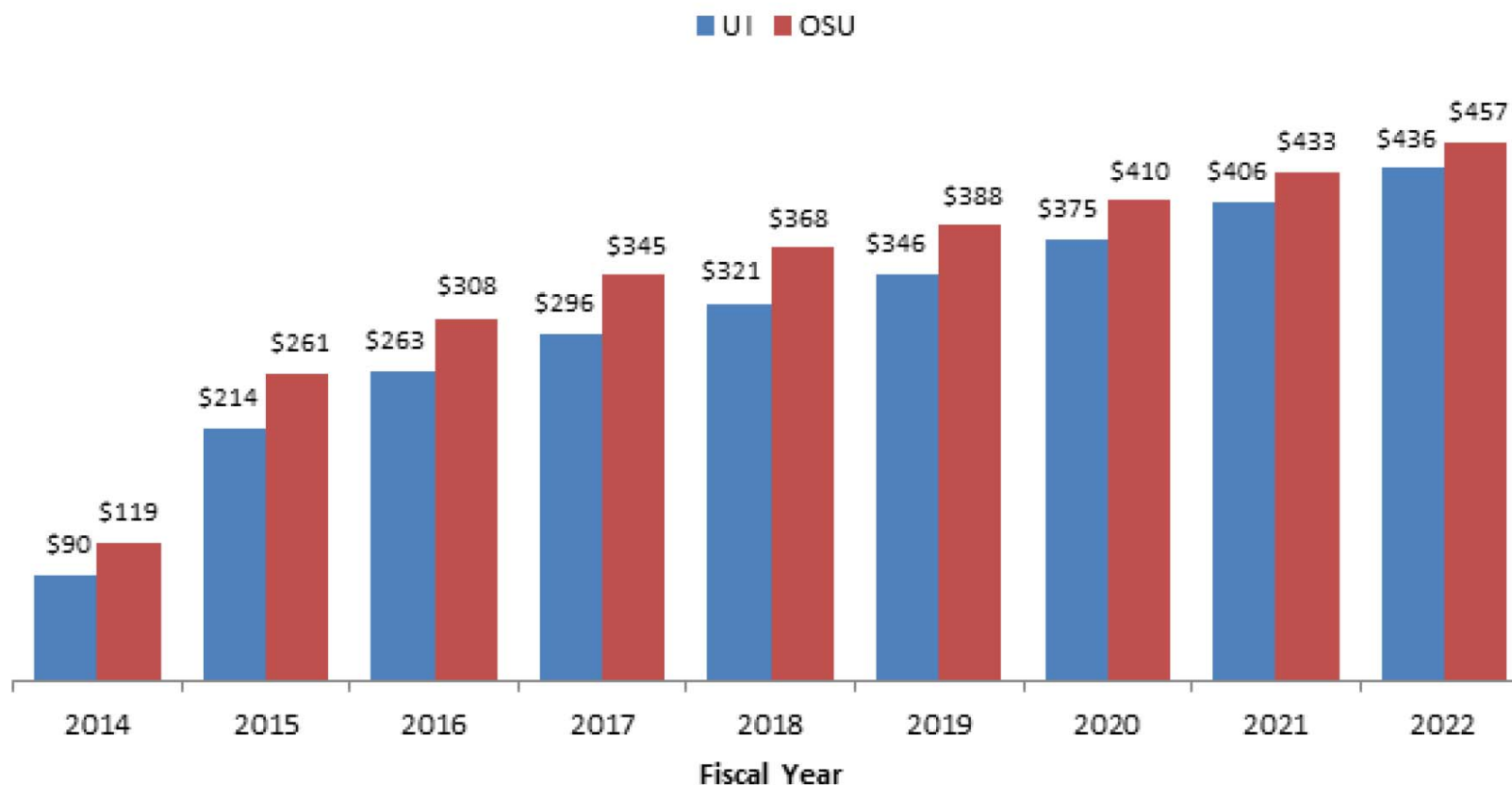


Source: OSU 2013.

Note: These estimates include the Urban Institute's baseline project of state non-ACA Medicaid costs.

State cost of increased participation by currently eligible but not enrolled

FY 2014-2022 (millions)



Source: Urban Institute HIPSM 2013; OSU 2013.

Note: Figure does not include effects of higher federal matching rates for certain current beneficiaries.

Savings and revenue from ACA provisions other than expansion (millions)

Fiscal Year	Retroactive and backdated eligibility	CHIP match increase	Prescription drug rebates		State managed care tax		Premium tax revenue from HIX plans	General state revenue from increased growth		Net offsets to increased costs	
			UI	OSU	UI	OSU		UI	OSU	UI	OSU
			2014	\$0	\$0	\$6		\$8	\$8	\$12	\$15
2015	\$0	\$86	\$19	\$24	\$23	\$32	\$31	\$58	\$61	\$217	\$234
2016	\$16	\$90	\$24	\$28	\$30	\$40	\$33	\$85	\$89	\$278	\$296
2017	\$17	\$94	\$27	\$33	\$34	\$48	\$36	\$103	\$107	\$311	\$335
2018	\$18	\$98	\$29	\$35	\$38	\$52	\$38	\$110	\$115	\$331	\$356
2019	\$19	\$102	\$32	\$37	\$41	\$55	\$40	\$118	\$122	\$352	\$375
2020	\$20	\$107	\$35	\$39	\$44	\$58	\$43	\$124	\$129	\$373	\$396
2021	\$21	\$112	\$38	\$41	\$48	\$62	\$46	\$131	\$135	\$396	\$417
2022	\$22	\$117	\$41	\$43	\$52	\$65	\$48	\$138	\$141	\$418	\$436
Total:	\$ 133	\$806	\$251	\$288	\$318	\$424	\$330	\$889	\$923	\$2,727	\$2,904

Source: OSU 2013; Urban Institute HIPSMS 2012; REMI 2013. Note: "UI" refers to Urban Institute estimates. Table does not include possible savings from administrative simplification and possible revenue from increased federal matching funds for eligibility system and shifting higher-income Medicaid adults into subsidized HIX coverage.

Overall impact of the ACA's non-expansion provisions on the state budget (millions)

Fiscal year	Increased state costs from more enrollment (Figure 10)		Net offsets to increased costs (Table 14)		Net fiscal impact	
	UI	OSU	UI	OSU	UI	OSU
2014	\$90	\$119	\$51	\$59	-\$39	-\$60
2015	\$214	\$261	\$217	\$234	\$3	-\$27
2016	\$263	\$308	\$278	\$296	\$15	-\$12
2017	\$296	\$345	\$311	\$335	\$15	-\$10
2018	\$321	\$368	\$331	\$356	\$10	-\$12
2019	\$346	\$388	\$352	\$375	\$6	-\$13
2020	\$375	\$410	\$373	\$396	-\$2	-\$14
2021	\$406	\$433	\$396	\$417	-\$10	-\$16
2022	\$436	\$457	\$418	\$436	-\$18	-\$21
Total:	\$2,747	\$3,088	\$2,727	\$2,904	-\$20	-\$185

Other potential offsets from the ACA's non-expansion provisions

- **Higher federal matching rates** for eligibility systems
- **Shifting into the exchange** Medicaid adults who have incomes above 100 or 138 percent FPL
- Increased revenue from **insurance taxes** on health coverage sold in the health insurance exchange

The ACA's impact on the state budget, with and without a Medicaid expansion

FY 2014-2022 (millions)

Fiscal year	Impact of the Medicaid expansion (Table 9)		Impact of ACA, without expansion (Table 15)		Net impact of the ACA, with Medicaid expansion	
	UI	OSU	UI	OSU	UI	OSU
2014	\$99	\$113	-\$39	-\$60	\$60	\$53
2015	\$252	\$274	\$3	-\$27	\$255	\$247
2016	\$387	\$384	\$15	-\$12	\$402	\$372
2017	\$351	\$333	\$15	-\$10	\$366	\$323
2018	\$257	\$235	\$10	-\$12	\$267	\$223
2019	\$230	\$208	\$6	-\$13	\$236	\$195
2020	\$142	\$133	-\$2	-\$14	\$140	\$119
2021	\$66	\$69	-\$10	-\$16	\$56	\$53
2022	\$67	\$71	-\$18	-\$21	\$49	\$50
Total:	\$1,851	\$1,820	-\$20	-\$185	\$1,831	\$1,635

Increased Medicaid enrollment under the ACA, with and without a Medicaid expansion

FY 2014-2022 (millions)

Fiscal year	Increased enrollment under the ACA, without a Medicaid expansion		Additional enrollment if a Medicaid expansion is added to the rest of the ACA			
			Currently eligible people not enrolled in Medicaid pre-ACA		Newly eligible adults	
	UI	OSU	UI	OSU	UI	OSU
2014	55,626	80,192	11,551	17,011	153,959	260,360
2015	129,316	174,824	27,036	37,084	380,313	550,050
2016	157,785	203,984	33,271	43,270	497,799	609,264
2017	170,236	219,799	36,100	46,624	570,399	642,354
2018	174,760	221,799	37,150	47,090	603,111	648,777
2019	179,687	224,217	38,121	47,561	612,562	655,265
2020	184,353	266,459	38,932	48,036	621,051	661,817
2021	188,864	228,723	39,782	48,516	629,540	668,436
2022	193,525	231,010	40,571	49,003	638,244	675,120

Conclusions

- Medicaid expansion would generate new state costs.
- Medicaid expansion also generates substantial state budget savings and increases state revenue, even after adjusting for lost revenue from fewer people obtaining coverage through the HIX
- Medicaid expansion not only pays for itself-it creates a positive state budget impact and creates local fiscal and economic benefits
- State savings due to the Medicaid expansion would exceed the net state costs resulting from the ACA's other provisions
- A Medicaid expansion would reduce the number of uninsured, increase Ohio employment and earnings, improve county finances, and lower health care costs for Ohio's employers and residents.

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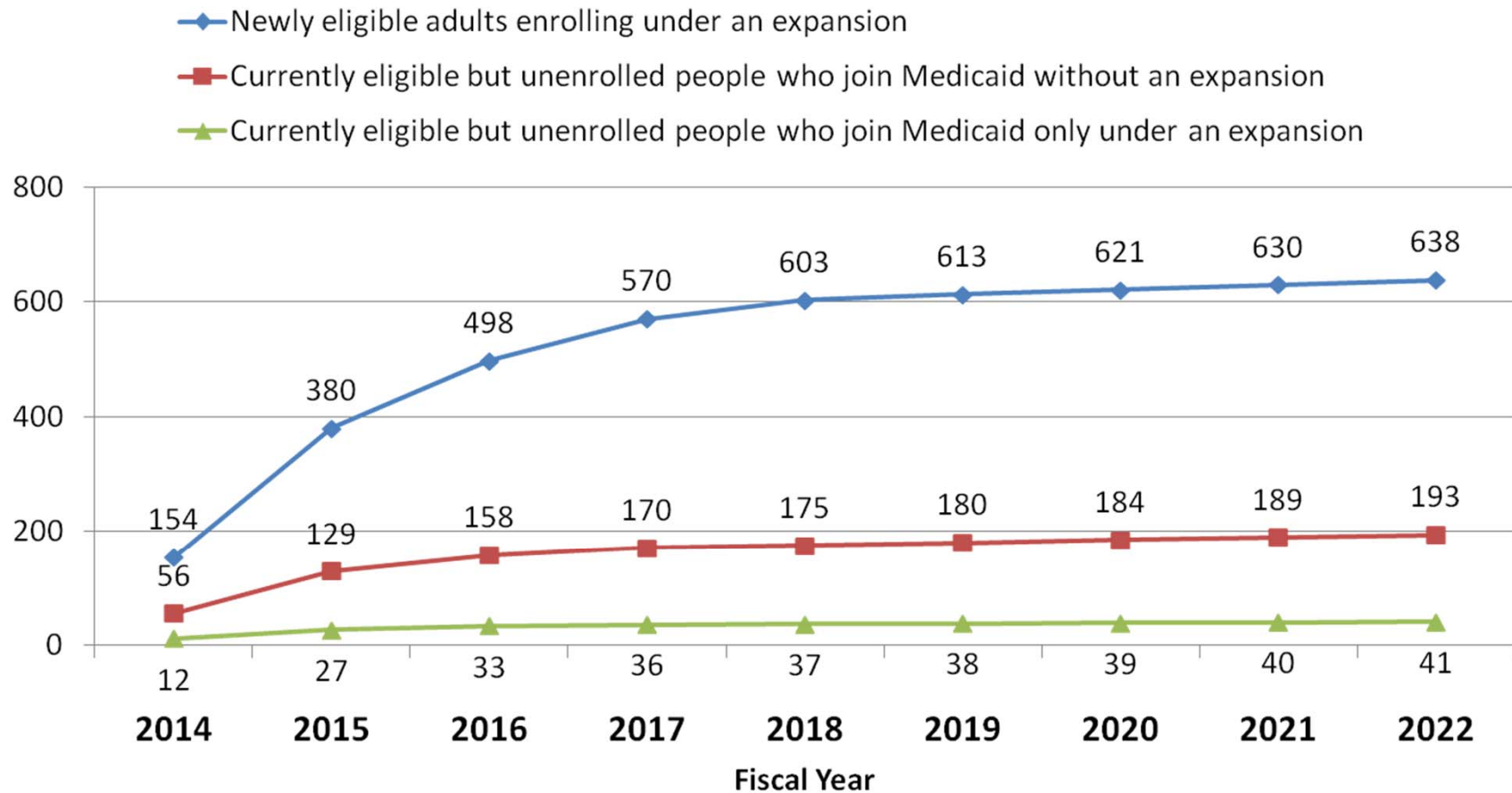
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Supplemental material

Previously unenrolled people who join Medicaid under the ACA

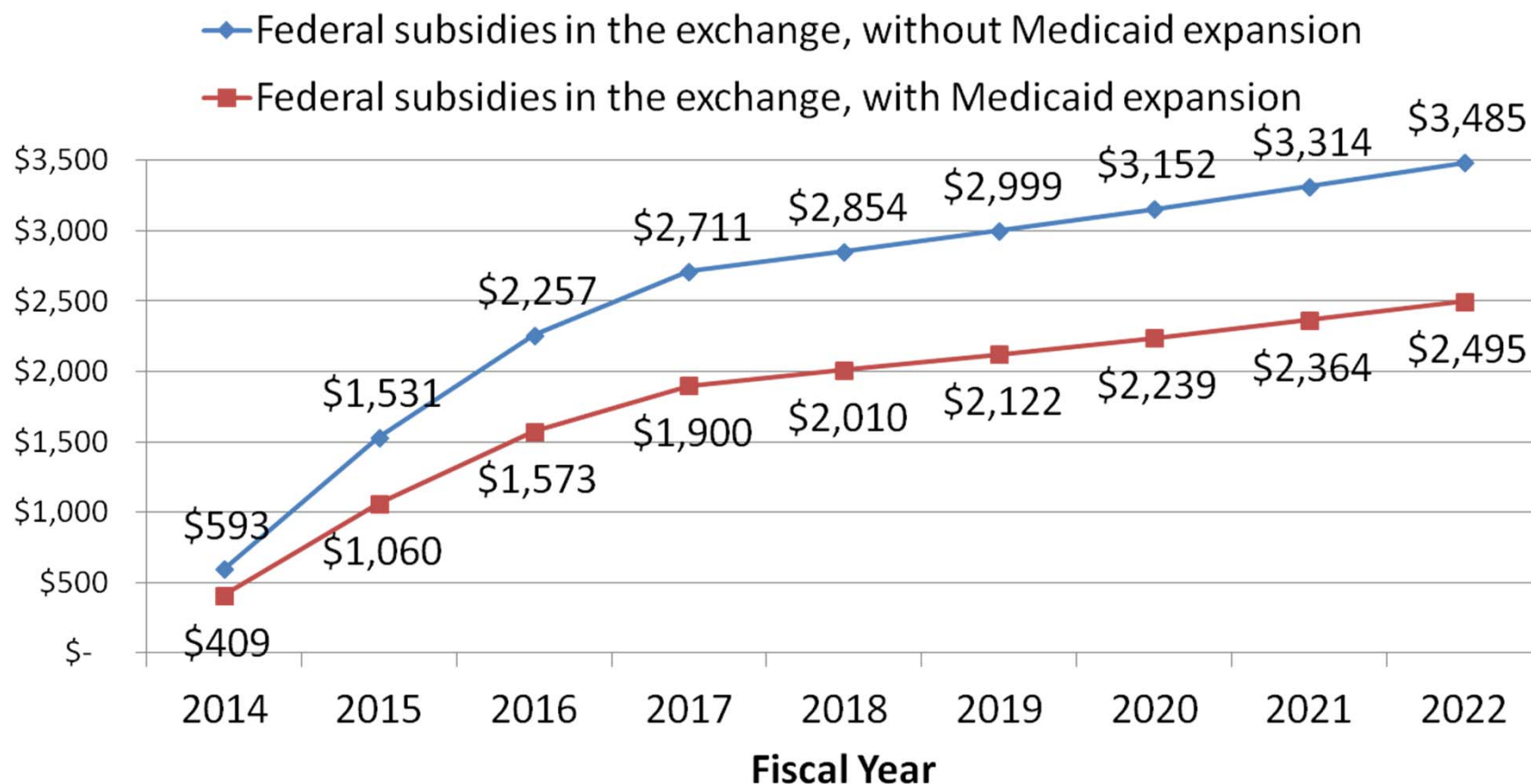
with and without a Medicaid expansion: FY 2014-22 (thousands)



Source: Urban Institute HIPSM 2013.

Federal subsidies in the exchange

With and without Medicaid expansion: FY 2014-22 (millions)



Source: Urban Institute HIPSM 2013.

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