

State of South Carolina Department of Health and Human Services Affordable Care Act – Fiscal Impact Analysis Update

Robert M. Damler, FSA, MAAA
Principal and Consulting Actuary

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Affordable Care Act – Fiscal Impact Analysis

■ Key Updates

- Population estimates using CY 2011 American Community Survey
- Summer 2012 Medicaid Assistance Forecast
- Moved Express Lane Eligible Children from ACA related population to current population
- Included CHIP eligible children between 139% and 200% FPL
- Included the impact of converting MHN population enrollees to at-risk health plan enrollment effective July 1, 2013
- Updated the Disproportionate Share Hospital Payments
- Updated the Physician Fee Schedule Impact
- Included the fiscal impact of non-Medicaid related expenditures converting to Medicaid eligible expenditures

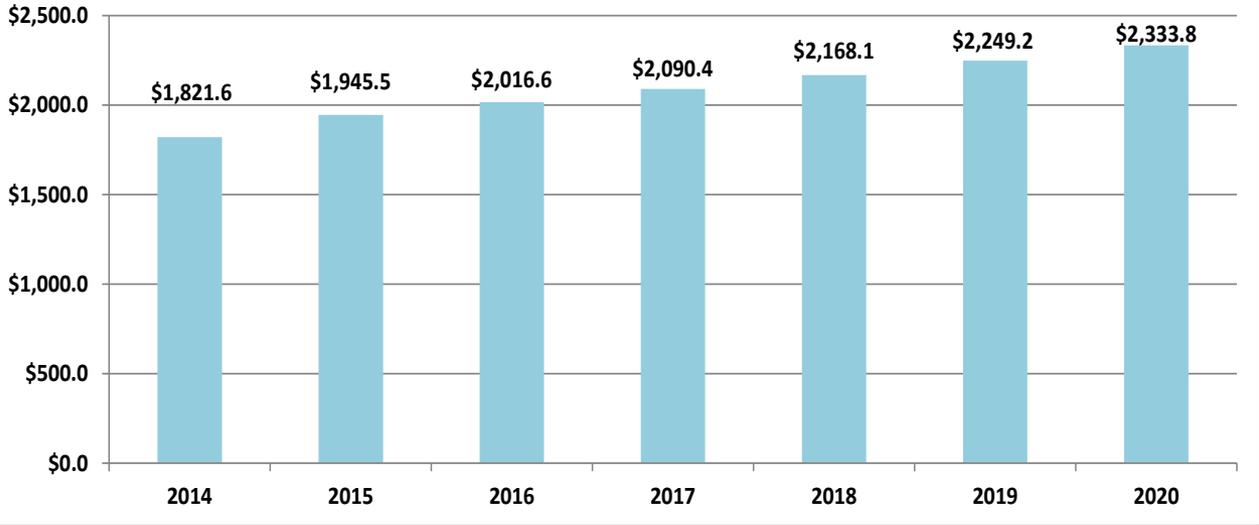
Current Medicaid Program: Paying for What We Already Have

Even without the optional Medicaid expansion:

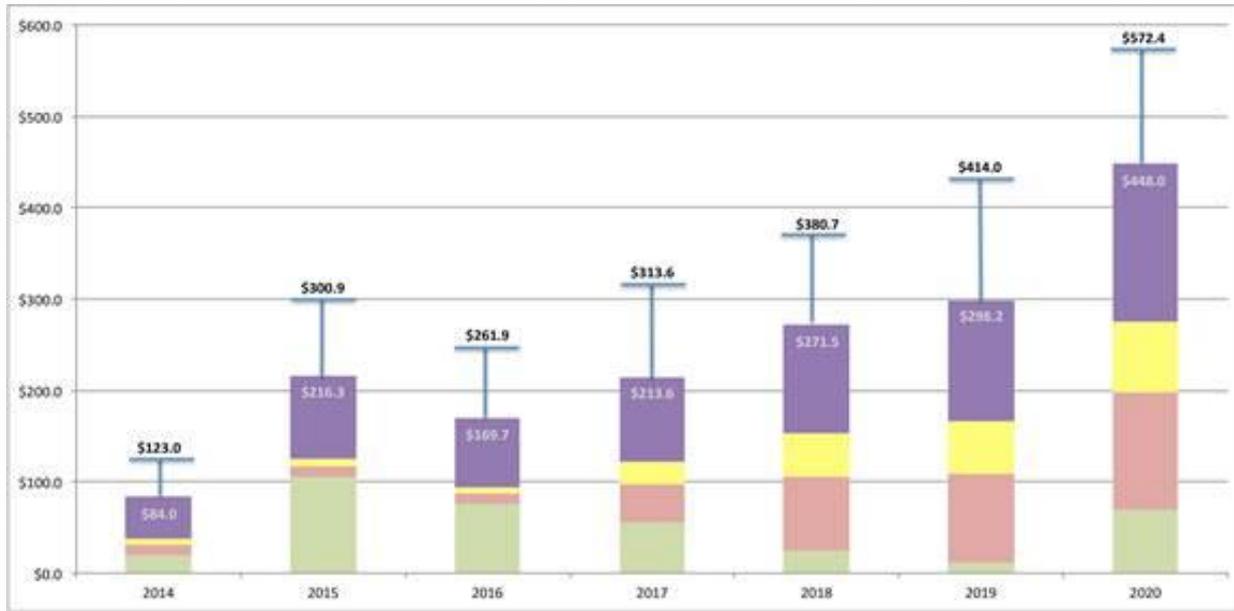
Natural Medicaid growth would cost the state \$2.3 billion annually by 2020

In 2020 Medicaid will require \$512 million more state match per year to support our current program

Current Program - State Expenditures (In Millions)



ACA in SC: Yearly Impact – State Expenditures (In Millions)



These include costs and credits of the ACA

The higher amount includes increasing the physician fee schedule for all physicians up to 100% of Medicare

	No Expansion (Best Estimate Participation)	Partial Expansion <100% FPL (Best Estimate Participation)	Full Expansion <138% FPL (Best Estimate Participation)	Full Expansion <138% FPL (100% Participation)
2014	\$19.5	\$31.3	\$38.4	\$84.0
2015	\$105.4	\$117.4	\$124.8	\$216.3
2016	\$75.8	\$86.6	\$93.3	\$169.7
2017	\$55.5	\$96.6	\$121.6	\$213.6
2018	\$24.1	\$104.6	\$153.3	\$271.5
2019	\$11.4	\$108.3	\$167.1	\$298.2
<u>2020</u>	<u>\$69.1</u>	<u>\$197.6</u>	<u>\$275.4</u>	<u>\$448.0</u>
Total	\$360.7	\$742.3	\$973.9	\$1,701.4

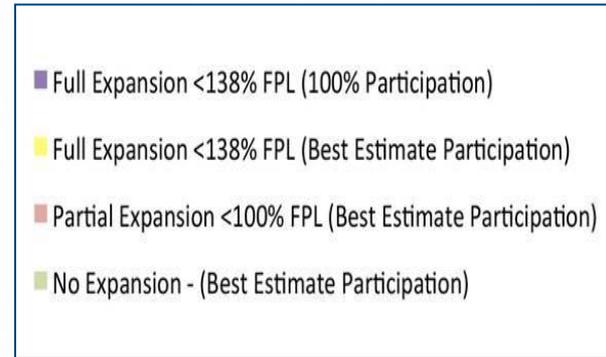
- Full Expansion <138% FPL (100% Participation)
- Full Expansion <138% FPL (Best Estimate Participation)
- Partial Expansion <100% FPL (Best Estimate Participation)
- No Expansion - (Best Estimate Participation)

Source: Milliman ACA Impact Analysis

ACA in SC: Yearly Impact – Federal Expenditures (In Millions)



Federal dollars will flow into the system under all scenarios



	No Expansion (Best Estimate Participation)	Partial Expansion <100% FPL (Best Estimate Participation)	Full Expansion <138% FPL (Best Estimate Participation)	Full Expansion <138% FPL (100% Participation)
2014	\$114.9	\$601.5	\$897.4	\$1,292.8
2015	\$304.0	\$1,450.0	\$2,145.5	\$3,058.5
2016	\$320.8	\$1,491.8	\$2,201.9	\$3,150.4
2017	\$320.2	\$1,512.8	\$2,235.9	\$3,213.6
2018	\$253.8	\$1,462.0	\$2,194.7	\$3,193.7
2019	\$231.8	\$1,481.0	\$2,238.4	\$3,274.2
2020	\$239.2	\$1,517.1	\$2,291.5	\$3,337.8
Total	\$1,784.8	\$9,516.1	\$14,205.2	\$20,520.9

Source: Milliman ACA Impact Analysis

Baseline Expenditure Summary (millions)	SFY 2015	SFY 2020
Current Medicaid / CHIP Expenditures	\$1,945.5	\$2,333.8
Pharmacy Rebate Savings – MCO	(62.8)	(78.4)
DSH Payment Reduction	0.0	(48.2)
CHIP Program – Enhanced FMAP	0.0	(13.4)
Medicaid Assistance Expansion to 138%		
• Uninsured - Expansion Population	0.0	128.0
• Crowd-out Population – Expansion	0.0	46.7
• Crowd-out Population – Eligible	67.6	83.0
• Eligible but Unenrolled Population	73.9	90.7
SSI Eligible Population	0.0	5.7
Health Insurer Assessment Fee	16.6	30.6
Physician Fee Schedule Change	1.2	0.0
Expenditure Shift from DHEC and DOC	0.0	1.3
Administrative Expenses	28.3	29.4
Sub-Total	\$124.8	\$275.4
Non-Medicaid State Funds	(6.5)	(7.0)
Physician Fee Schedule to 100% of Medicare	80.2	114.3
Sub-total	\$198.5	\$382.7
Total Medicaid and Related Impact	\$2,144.0	\$2,716.5

7-Year Fiscal Impact Comparison to SFY 2013

November 2012 Medicaid Expansion Projections SFY 2014 to 2020 (in \$ millions) - State Expenditures

Category	Without Expansion - Woodwork Effect (Best Estimate Participation)	Partial Expansion to 100% FPL (Best Estimate Participation)	Full Expansion to 138% FPL (Best Estimate Participation)	Full Expansion to 138% FPL (100% Participation)
Pre-ACA : Expected Program Growth	\$2,071.3	\$2,071.3	\$2,071.3	\$2,071.3
ACA Impact to Current Program				
Pharmacy Rebate Savings – MCO	(\$477.3)	(\$477.3)	(\$477.3)	(\$477.3)
DSH Payment Reduction	(\$166.6)	(\$166.6)	(\$166.6)	(\$166.6)
CHIP Program – Enhanced FMAP	(\$128.6)	(\$128.6)	(\$128.6)	(\$189.9)
ACA Impact - Currently Eligible				
Eligible but Not Enrolled - Uninsured	\$520.5	\$520.5	\$520.5	\$746.6
Eligible but Not Enrolled - Currently Insured	\$476.4	\$476.4	\$476.4	\$790.3
CHIP Program – Enhanced FMAP	(\$66.3)	(\$66.3)	(\$66.3)	(\$97.9)
ACA Impact - Expansion Population				
Expansion Population - Uninsured	\$0.0	\$220.4	\$330.3	\$407.9
Expansion Population - Currently Insured	\$0.0	\$55.0	\$120.6	\$215.2
SSI Eligible	\$0.0	\$14.8	\$14.8	\$14.8
Health Insurer Assessment Fee	\$138.0	\$145.5	\$149.7	\$164.4
Physician Fee Schedule Change	\$3.5	\$3.5	\$3.5	\$3.6
Expenditure Shift from Other State Agencies	\$0.0	\$2.1	\$3.5	\$4.8
Administrative Expenses	\$61.1	\$142.9	\$193.4	\$285.5
Sub-total	\$360.7	\$742.3	\$973.9	\$1,701.4
Non-Medicaid Other State Agency Offsets	\$0.0	(\$26.8)	(\$43.7)	(\$61.4)
Sensitivity - Increase Physician Reimbursement to 100% Medicare	\$0.0	\$610.5	\$620.8	\$665.1
Sub-total	\$360.7	\$1,326.0	\$1,551.0	\$2,305.1
Post-ACA : Expected Program Growth	\$2,432.0	\$3,397.3	\$3,622.3	\$4,376.4

Source: Milliman ACA Impact Analysis

Medicaid Expansion in SC: 1.7 Million Enrollees by 2020

SC Chooses to Expand Medicaid:

193,000 could drop private insurance to go on Medicaid

Over 50% increase in SC Medicaid program if the state expands Medicaid

One-third of the state could be on Medicaid in the coming years

Projected Enrollment Growth			
Population	FY 2013	SFY 2014	FY 2020
Current Programs			
Medicaid	938,000	985,000	1,077,000
CHIP	70,000	74,000	80,000
Total Current Programs	1,008,000	1,059,000	1,157,000
After ACA - 67% Average Participation			
Expansion Population (Newly Eligible)			
Uninsured Parents/Childless Adults		252,000	267,000
Currently Insured Parents/Childless Adults		92,000	98,000
SSI		7,000	8,000
Eligible but Unenrolled in Medicaid*			
Currently Insured Children/Parents		101,000	107,000
Uninsured Children		13,000	14,000
Uninsured Parents		48,000	51,000
Total Expansion from ACA Participants		513,000	545,000
Total Medicaid Population After ACA	1,008,000	1,572,000	1,702,000

Estimates indicate that 162,000 people currently eligible but unenrolled will enroll in Medicaid even without the Medicaid expansion

Source: Milliman ACA Impact Analysis

New FMAP Rates for Optional Expansion

Year	Federal Medicaid Match for “Newly Eligible”	State Share for “Newly Eligible”	Administrative Match
2014-2016	100%	0%	50%
2017	95%	5%	50%
2018	94%	6%	50%
2019	93%	7%	50%
2020 on	90%	10%	50%

States pay for half the administrative costs for the Medicaid Expansion with some costs at a higher match rate (fiscal impact analysis assumes 70% administrative match for the expansion populations)

States continue with regular match rate for those eligible but not enrolled 70.43% for Medicaid Assistance and 79.30% for CHIP

Limitations and Qualifications

Milliman has prepared the information in this presentation for the specific purpose of assisting in the analysis of the financial impact of the Patient Protection and Affordable Care Act on DHHS Medicaid Assistance expenditures. This presentation should not be used for any other purpose. The terms of Milliman's contract with SCDHHS effective July 1, 2012 apply to this presentation and its use. This presentation should be reviewed in coordination with the November 30, 2012 full report with documentation of the methodology and assumptions.

Differences between our projections and actual amounts will depend on the extent to which future experience conforms to the assumptions made for this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. I, Robert M Damler, am a member of the American Academy of Actuaries, and I meet the qualification standards for performing the analyses in this report.