Revised Financial Impact Review of the Patient Protection and Affordable Care Act On the Idaho Medicaid Budget Including State and Local Cost Offsets

Prepared for:
Idaho Department of Health and Welfare

Prepared by:
Milliman, Inc.

Justin C. Birrell, FSA, MAAA
Consulting Actuary

Benjamin J. Diederich, FSA, MAAA
Consulting Actuary

Timothy S. Barclay, FSA, MAAA
Principal and Consulting Actuary

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2646
USA
Tel +1 206 624 7940
Fax +1 262 682 1295

milliman.com

March 7, 2013

This report assumes that the reader is familiar with the state of Idaho's Medicaid program and federal healthcare reform. The report was prepared solely to provide assistance to DHW to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

TABLE OF CONTENTS

EXHIBITS

I. SUMMARY OF RESULTS

INTRODUCTION

At the request of the Idaho Department of Health and Welfare (DHW), Milliman has revised their December 3, 2012 report of the Financial Impact of the Patient Protection and Affordable Care Act (PPACA) on the Idaho Medicaid Budget. This revision was requested in response to two documents released from the Centers for Medicare and Medicaid Services (CMS). The first document was released in late December 2012 and provided updated guidance on Medicaid income eligibility, Modified Adjusted Gross Income (MAGI) and new income conversion methodologies. The second document was released in February 2013 and provided updated guidance on the federal matching rate for children transferring from a separate Children's Health Insurance Program (CHIP) to Medicaid as a result of eligibility changes in the Affordable Care Act.

Change in estimated number of Medicaid eligibles: The new CMS guidance changes several assumptions made by the Governor's Medicaid Expansion Workgroup and significantly impacts the eligibility and cost/saving estimates presented by Milliman in December 2012. The estimated number of adults with children who would become eligible for Medicaid due to changes in how MAGI income is determined is reduced by 24,492 individuals. In the December Milliman report this population was referred to as "surge" and part of the mandatory expansion population. The new direction from CMS indicates MAGI income conversion should not systematically increase or decrease the number of eligible individuals. As a result, the previously identified "mandatory surge" population of 24,492 adults with children would shift to the optional Medicaid expansion population which increases to 104,211 adults.

Change in estimated cost/savings to Medicaid: Due to the above changes in eligibility, the estimated cost/savings to the State of Idaho shift with more costs **and savings** being realized through an optional Medicaid expansion. The only individuals now in the mandatory expansion category are those currently eligible but not enrolled (woodwork). The costs in mandatory expansion over a ten year period were originally estimated at $283.9M. These estimates are now $394M because the required expansion will not realize any state or county offsets, which previously totaled ($232.4M). The ten year cost of optional expansion also increases due to the shift of 24,294 adults with children to the optional category. However, the total savings over ten years is significantly greater due to the increase in state and county offsets. The revised net savings with optional expansion is now estimated at ($403.9M), up from the original projection of ($290.4M).

While the new guidelines decrease the number of people eligible for coverage without expansion and increase the number eligible with expansion, the total number of people who will receive coverage with Medicaid expansion remains at approximately 150,000. The overall cost/savings equation for ten years remains essentially the same as specified in the December 3, 2012 report. Optional expansion savings still offset mandatory expansion costs for an overall estimated ten year net savings of ($9.8M).

At the state's request one additional scenario was added to the report. Milliman has provided Exhibit 6 that illustrates the cost/savings if the County Indigent/CAT funds are totally eliminated (previous assumption had been a 95% CAT and 90% County Indigent reduction in those funds). If the total County indigent/CAT funds are eliminated the total 10 year savings would increase from ($9.8M) to ($84.6M).

The scope of our report is limited to a projection of the financial impact of the ACA on the Idaho Medicaid budget including state and local cost offsets. DHW can use the results of this report, along with its own determination of the potential benefits of expanding Medicaid coverage, as it considers whether or not to expand Medicaid eligibility under the ACA.

SUMMARY OF RESULTS

In its June 28, 2012 decision, the Supreme Court of the United States upheld most of the ACA, but gave States the flexibility to decide whether to expand Medicaid program eligibility to 133% of FPL. This report evaluates the financial impact of the ACA on the Idaho Medicaid program for two of the three potential ACA Medicaid expansion options:

- **Option 1 – No Expansion/Continue Indigent Programs as Currently Designed:** Additional enrollment is anticipated from those who are already eligible for Medicaid due to pressure from the individual mandate, referrals from the exchange, or loss of employer coverage. This population is often referred to as the "woodwork effect" population.

- **Option 2 – No Expansion/Indigent Program Redesign:** Milliman was not asked to perform analysis directly related to this option.

- **Option 3 – Idaho expands Medicaid to 138% of FPL:** This segment illustrates the cost of Medicaid expansion to 138% of FPL (the full expansion included in the ACA). Note the 133% FPL level specified in the ACA is effectively 138% due to the 5% income disregard. In addition, this population includes changes due to the new modified adjusted gross income (MAGI) eligibility guidelines, often referred to within the state as the "Surge" population. In our original report these members were included in Option 1. Guidance from CMS in a letter dated December 28, 2012 to the state Medicaid director indicates that MAGI rules should not "systematically increase or decrease the number of eligible individuals within a given eligibility group". We have interpreted this to mean that the state would adjust their FPL levels for eligibility such that when the MAGI rules are applied there is not an aggregate increase or decrease to membership, therefore this "Surge" population has been moved to be part of the optional expansion population.

Table 1 on the following page summarizes by year total state costs including state and local cost offsets as well as total federal costs for each of the two options. Note that the costs identified under Option 3 include only marginal costs of Option 3 and do not include the Option 1 costs that would be part of any scenario. The total at the bottom includes the entire costs, not just marginal costs of Option 3.

The costs shown below are only those costs associated with changes due to ACA. We have not included current Medicaid costs.

Table 1
Idaho Department of Health and Welfare
Total Projected Additional Local, State, and Federal Costs <Savings>
State and Federal Dollars Only (Values in Millions)

	SFY 2014*	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Cumulative Total
Option # 1: No Optional Expansion (Excluding CHIP)**												
State Funds:	$14.8	$33.2	$37.1	$38.1	$39.0	$40.0	$41.0	$42.1	$43.1	$44.2	$45.3	$417.9
Projected State Offsets:	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Projected Impact of State Funds:	$14.8	$33.2	$37.1	$38.1	$39.0	$40.0	$41.0	$42.1	$43.1	$44.2	$45.3	$417.9
Projected Local Offsets:	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total State and Local Funds:	$14.8	$33.2	$37.1	$38.1	$39.0	$40.0	$41.0	$42.1	$43.1	$44.2	$45.3	$417.9
Federal Funds - Options #1:	$52.1	$86.1	$85.2	$87.3	$89.4	$91.7	$94.0	$96.3	$98.7	$101.2	$103.7	$985.5
Subtotal Option #1:	$66.8	$119.3	$122.3	$125.3	$128.5	$131.7	$135.0	$138.4	$141.8	$145.4	$149.0	$1,403.4
CHIP**												
State Funds <Savings>:	$0.0	$0.0	($4.3)	($5.9)	($6.0)	($6.2)	($1.6)	$0.0	$0.0	$0.0	$0.0	($23.9)
Federal Funds:	$0.0	$0.0	$4.3	$5.9	$6.0	$6.2	$1.6	$0.0	$0.0	$0.0	$0.0	$23.9
Subtotal:	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Option # 3: 138% Expansion (Marginal Costs in Excess of Mandatory Expansion)												
State Funds:	$4.4	$9.0	$9.2	$28.9	$53.5	$63.0	$81.3	$96.2	$98.6	$101.1	$103.6	$648.8
Projected State Offsets:	($25.3)	($51.4)	($52.1)	($54.2)	($56.2)	($58.3)	($60.3)	($62.5)	($64.9)	($67.3)	($69.8)	($622.3)
Projected Impact of State Funds:	($20.9)	($42.4)	($42.8)	($25.3)	($2.7)	$4.7	$21.0	$33.7	$33.7	$33.8	$33.8	$26.5
Projected Local Offsets:	($16.6)	($34.7)	($36.1)	($37.6)	($39.1)	($40.5)	($42.0)	($43.5)	($45.1)	($46.7)	($48.4)	($430.3)
Total State and Local <Savings>:	($37.6)	($77.1)	($79.0)	($62.9)	($41.8)	($35.8)	($21.0)	($9.8)	($11.3)	($12.9)	($14.6)	($403.9)
Federal Funds - Options #3:	$365.1	$748.5	$767.2	$767.0	$762.3	$773.2	$775.8	$782.3	$801.8	$821.9	$842.4	$8,207.5
Subtotal Option #3:	$327.5	$671.4	$688.3	$704.1	$720.4	$737.3	$754.8	$772.4	$790.5	$809.0	$827.8	$7,803.7
Total (Including Mandatory Expansion, Optional Expansion (138% FPL) and CHIP)												
State Funds <Savings>:	($6.2)	($9.1)	($10.0)	$6.9	$30.3	$38.6	$60.4	$75.7	$76.8	$78.0	$79.1	$420.5
Local Funds <Savings>:	($16.6)	($34.7)	($36.1)	($37.6)	($39.1)	($40.5)	($42.0)	($43.5)	($45.1)	($46.7)	($48.4)	($430.3)
Federal Funds:	$417.2	$834.6	$856.7	$860.1	$857.7	$871.0	$871.3	$878.6	$900.5	$923.1	$946.1	$9,216.9
Total:	$394.4	$790.7	$810.5	$829.4	$848.9	$869.0	$889.7	$910.8	$932.3	$954.3	$976.8	$9,207.1

*Six months of SFY 2014

** CHIP Separated since there are changes to state dollars for this program, there is no change to total dollars spent in the state.
This projection assumes that costs for newly eligible Medicaid members converted from CHIP are reimbursed at current CHIP FMAP rates.
Does not include costs for current Medicaid populations.

We estimate the total financial impact of the full implementation of the ACA on the state of Idaho, including Medicaid costs and non-Medicaid state and local cost offsets, during state fiscal years 2014 – 2024 (state fiscal year 2014 only includes the period January – June 2014) to be an approximate savings to the state of ($9.8M). (The sum of state funds $420.5M and local savings ($430.3M)).

In the December Milliman report the projection assumed that costs for newly eligible Medicaid members converted from CHIP would be reimbursed at Medicaid expansion FMAP rates. Information released by CMS in February 2013 provided updated guidance on the federal matching rate for children transferring from a separate Children's Health Insurance Program (CHIP) to Medicaid as a result of eligibility changes in the Affordable Care Act. Therefore, this projection assumes that costs for newly eligible Medicaid members converted from CHIP are reimbursed at current CHIP FMAP rates rather than expansion Medicaid rates.

Although a full economic impact to the state is beyond the scope of this analysis we have projected the total state and federal increased spend in the state of $9.2 billion over state fiscal years 2014 – 2024.

Table 2 shows enrollment changes projected in 2014, including changes due to new guidance.

Table 2
Idaho Department of Health and Welfare
Estimated Impact on Projected 1/1/2014 Enrollment

	Per Report Issued	
	12/3/2012	3/7/2013
Mandatory Expansion		
Children (CHIP conversion to Medicaid)	10,825	10,825 *
Adult, Parents	24,492	-
Optional Expansion (138% FPL)		
Adults, Parents	35,252 **	59,744 **
Adults, Non-Caregivers	44,467	44,467
Expansion Subtotal (Mandatory and Optional)		
Children	10,825	10,825
Adults	104,211	104,211
Currently Eligible, Not Enrolled		
Children	28,535	28,535
Adults, Parents	6,488	6,488
Total	150,059	150,059

* These children are currently enrolled in Idaho's CHIP program and are merely transferring their coverage to Medicaid as a result of eligibility changes in the Affordable Care Act. Per the February 2013 guidance from CMS, the CHIP enhanced matching rate will continue to be available for these children, so there is no fiscal impact to the state of Idaho resulting from this transfer.

** Eligible due to increased FPL to 138%.

Note that these projections assume the full impact of expansion. While these population growth figures do not include additional enrollment changes for the eligibility periods of Foster Kids as these members are not new, we have included the costs for additional length of eligibility for these members in our cost projections.

We have not included a migration period for expansion, so for purposes of this analysis we have assumed the full enrollment impact on 1/1/2014.

Note that we have provided point estimates for both costs and enrollment changes. Actual results will vary from our projections for many reasons, including differences from assumptions regarding take up rates, MAGI impact, projected members by FPL levels, cost trends, enrollment trends, future FMAP rates, and state and local cost offsets, as well as other random and non-random factors. Experience should continue to be monitored on a regular basis, with modifications to projections as necessary.

The attached Exhibits 1 – 6 present the results of our projections in more detail:

- **Exhibit 1:** Impact of the ACA on the Idaho Medicaid Budget
- **Exhibit 2:** Impact of the ACA on the Idaho Medicaid Budget - Savings/Cost Graph
- **Exhibit 3:** Cost Projections by Age/Gender
- **Exhibit 4:** Potential and Projected State and Local Cost Offsets
- **Exhibit 5:** Hospital Impact – Projected Loss of Federal Funds due to DSH Reductions
- **Exhibit 6:** Impact of the ACA on the Idaho Medicaid Budget – Assumes County Indigent/CAT funds are totally eliminated

The remaining sections of this report document our methodology and assumptions in more detail.

II. UNIQUE ASSUMPTIONS IN THIS ANALYSIS

The scope of our analysis differs from other published studies specific to Idaho in several important areas. These differences may result in confusion, and thus, we felt it necessary to point out key difference in this report. Specifically, we want to point out differences between our findings and those presented in the report by Leavitt Partners dated September 18, 2012, "Idaho's Newly Eligible Medicaid Population: Demographic and Health Condition Information" (Leavitt Report).

Enrollment

The Leavitt Report focused on the expansion of the adult populations and therefore did not address increased enrollment in children due to the woodwork effect or the conversion of some of the CHIP population to Medicaid due to MAGI.

The Leavitt Report projects between 97,066 and 111,525 newly eligible adults. As shown in Table 2 our projection of 104,200 newly eligible adults is very consistent with their projection.

We differ from the Leavitt Report regarding the assumed number of woodwork adults (currently eligible, but not enrolled). The range found in their report is 9,806 – 12,299. We have targeted this population at 6,500. After discussion with Leavitt Partners we believe that these differences are due to reasonable differences in assumptions.

For purposes of this analysis we have assumed a static distribution of members. We have trended enrollment as a whole but have not attempted to model changing demographics to SFY 2024. Examples of changes which were not modeled include: aging, births/deaths, or changes in income as a percentile of FPL.

Cost Projections

The focus of the Leavitt Report was on the potential enrollment and health conditions of expansion members. Milliman's focus was on adding a cost component to this increased enrollment as well as other cost changes for existing members. Costs were projected by age/gender bands based on current Medicaid experience for the Basic population (excluding disabled members).

Per member cost projections exclude costs for member cohorts who we assume are currently receiving care including members with the following aid codes: Pregnant Women, Foster Care, and Breast and Cervical Cancer.

Detailed enrollment projections are included as Exhibit 3.

III. METHODOLOGY AND KEY ASSUMPTIONS

In the development of these financial impact estimates, we created a model that projected enrollment and healthcare expenditures for the current Medicaid population as well as the expansion population. We have relied upon State Fiscal Year 2011 Medicaid costs (Basic) as the baseline from which our projection is constructed.

We projected the current Medicaid costs to trend at a per member per month annual rate of 5% until 2014 and 2.5% beyond that point; in addition we have included an annual enrollment growth rate of 2.05%.

MEDICAID EXPANSION SCENARIOS

The fiscal impact associated with the ACA Medicaid expansion includes currently insured and uninsured adults and children who are not currently enrolled in Medicaid. The impact also includes individuals who are currently eligible for Medicaid but not enrolled (the "woodwork effect" population).

We relied on 2010 U.S. Census Bureau data for Idaho to estimate the Medicaid expansion population and the currently eligible but not enrolled population. The U.S. Census Bureau data provided information regarding the number of children, parents, and adults with and without health insurance below a stratified set of federal poverty levels. (FPL)

Idaho's current Medicaid income eligibility standards are summarized below:

- Children age under 6: up to 133% of FPL
- Children age 6 – 18: up to 100% of FPL
- Pregnant women: up to 133% of FPL
- Parents: ~20% of FPL
- Childless adults: not covered
- CHIP: children up to 185% of FPL not covered under regular Medicaid

Implementation of Option 3 (expansion to 138% FPL) would increase all of the FPL limits listed above to 138% of FPL with the exception of CHIP which will remain at 185% FPL.

The ACA reflects the following Federal Medical Assistance Percentages (FMAP) for the expansion populations by calendar year (CY):

- 100% FMAP in CY 2014, 2015, and 2016
- 95% FMAP in CY 2017
- 94% FMAP in CY 2018
- 93% FMAP in CY 2019
- 90% FMAP in CY 2020+

Populations currently eligible for Medicaid in Idaho will continue to be subject to the regular FMAP levels.

We anticipate that, during the first one to two years of the program, the new enrollees may have costs that are higher due to pent-up demand, a characteristic of other Medicaid-expansion programs such as

the Healthy Indiana Plan.[1] Because the federal government will be 100% responsible for the cost of the expansion for the first three years, we did not include an explicit amount for pent-up demand.

CHIP PROGRAM

Under the ACA, the CHIP program is required to be continued through 2019. The legislation provides additional FMAP of up to 23% beginning on October 1, 2015, and ending September 30, 2019. The additional 23% FMAP will increase Idaho's CHIP program FMAP to 100%. The enhanced FMAP will decrease expenditures for Idaho and increase expenditures for the federal government.

In addition, CHIP members who will qualify for Medicaid coverage under expansion are reimbursed at the current CHIP FMAP rates rather than the enhanced CHIP rates described above.

We have also assumed that the Idaho's CHIP program will continue through SFY 2024.

FOSTER CHILDREN EXPANSION TO AGE 26

The ACA includes coverage for foster children up to age 26 beginning on January 1, 2014. The SFY 2011 total annual expenditures under the program are approximately $21.4 million (state and federal) or $6.4 million (state only). Currently, foster children have coverage up to and including age 17. We estimate that the expansion of Medicaid benefits to age 26 will increase the cost of the foster care program by approximately 47%.

HEALTH INSURER FEE

Given that at this point there are no managed care populations in the state Medicaid program we have not adjusted for this provision. If the state moves Medicaid members to a managed care setting this fee could increase costs for those programs to maintain actuarially sound rates.

The ACA places an $8 billion annual fee on the health insurance industry starting in CY 2014. The health insurer fee grows to $14.3 billion in CY 2018 and is indexed to the rate of premium growth thereafter. The health insurer fee is considered an excise tax and is nondeductible for income tax purposes. The fee will be allocated to qualifying health insurers based on their respective market share of premium revenue in the previous year (including Medicaid managed care premium).

Taxes are generally considered to be an unavoidable cost of doing business. Since Medicaid managed care capitation rates are required to be actuarially sound, capitation rates for Idaho would have to be increased to cover the cost of the tax, and also a gross-up to cover the additional federal taxes the increase in capitation revenue would generate.

Because the ACA health insurer fee is a federal tax, all tax revenue collected as a result of the fee will accrue to the federal government. Since Medicaid is funded by the state and federal governments, both governments share in funding the premium component that funds the tax. This situation results in the federal government taxing itself and taxing state governments to fund the higher Medicaid managed care premiums required to fund the ACA health insurer fee, with no net financial impact to Medicaid MCOs.

[1] Damler, R. (Aug. 26, 2009). Experience under the Healthy Indiana Plan: The short-term cost challenges of expanding coverage to the uninsured. Retrieved Sept. 17, 2010, from http://publications.milliman.com/research/health-rr/pdfs/experience-under-healthy-indiana.pdf.

INCREASED ADMINISTRATIVE EXPENDITURES

In addition to the expenditures associated with providing medical services to the expansion population, the state of Idaho will incur additional ongoing administrative expenditures related to expansion. We estimated the additional ongoing administrative costs as 3.5% of total expected medical expenditures for the population-based ACA changes (i.e., the ACA expansion population, the woodwork effect population, and the foster care expansion to age 26).

DHW indicated an administrative load of 3.5% of medical costs is a reasonable assumption. This figure is consistent with our experience in other states. We have assumed that these additional administrative costs would have current FMAP rate of 50%. However, CMS recently issued communications that the administrative costs associated with the expansion population may be eligible for an enhanced FMAP rate of 75% but the guidance was not clear enough to incorporate into this modeling. So even in years where there is a 100% FMAP rate for medical costs for expansion populations there is an increase in the state's costs due to increased administrative costs matched at a lower rate.

OTHER ASSUMPTIONS

We used the following key assumptions in our analysis:

FMAP Rates by State Fiscal Year (SFY):

Table 3
Idaho Department of Health and Welfare
Assumed FMAP Rate by Year and Population

FMAP Rates	SFY 2014*	SFY 2015	SFY 2016	SFY 2017	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024
Current Medicaid FMAP	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Expansion FMAP	100%	100%	100%	98%	94%	92%	90%	90%	90%	90%
Current CHIP FMAP	80%	80%	80%	80%	80%	80%	80%	80%	80%	80%
Enhanced CHIP FMAP	80%	80%	95%	100%	100%	85%	80%	80%	80%	80%

*Only includes the first six months of CY 2014.

Note the following regarding the figures in Table 3:

1. The first year includes only the first six months of calendar year 2014.
2. We have assumed no changes to FMAP rates after SFY 2021.

State Exposure and FMAP Rates:

ACA does not require that FMAP rates for expansion populations remain at SFY 2021 levels in perpetuity. A decrease to FMAP rates in later years will significantly affect projected costs to the state.

In SFY 2024 for each percent decrease in the expansion FMAP rate it will cost the state approximately $9.24 million dollars. A decrease from the assumed 90% expansion FMAP down to the assumed 70% for the current Medicaid population would result in an increase of $184.81 million dollars in SFY 2024 alone.

Note that any estimates that far in the future are subject to many factors that could affect actual results. These figures are only presented to provide comment related to sensitivity to changes in the FMAP rates for the expansion population.

Take-Up Rates:

For those newly eligible for Medicaid coverage and the woodwork populations we have assumed an 85% take-up rate for the uninsured population and a 30% take-up rate for the insured members.

State and Local Cost Offsets:

The state of Idaho has several state and local programs (not funded by federal dollars) that assist the medical needs of those in the state. We have assumed that Medicaid expansion would replace most of the need for these programs. The largest cost offset or savings with the Medicaid expansion are from the County Medically Indigent and Catastrophic Health Care Cost (CAT) Programs. Based on information provided by DHW we have modeled approximately 90% of the County Medically Indigent program and 95% of the State CAT program would be eliminated under Medicaid expansion on average over the projection period. We have reflected the costs for CAT as a State offset separately from the local offset of the County Medically Indigent programs. The offset includes any associated administrative costs. It is important that the budgets for these programs be monitored separately since the administrative costs may not scale directly with the benefits.

In addition to these primary offsets, DHW also identified several other programs which could have savings under the scenario of Medicaid expansion. We have assumed that all of the savings opportunities for Behavioral Health (DHW) and Public Health (DHW) would be achieved.

These cost offsets or savings were all allocated to the optional expansion population. We have assumed no savings for the currently eligible but not enrolled population, as we understand these members would have been screened for Medicaid eligibility before being enrolled in these programs. Similarly we have not attributed any savings to these programs for the CHIP population shifting to Medicaid.

The State and Local Cost Offsets are not a complete economic model; these are programs identified within the state which will be impacted by the decision to expand Medicaid. We reviewed the cost projections for reasonableness but did not modify the values provided by the program, and where necessary extrapolated the projected growth rate through the end of the modeling horizon.

Increase in Primary Care Physician Fees to 100% of Medicare:

The federal government will fund an increase in some fees paid to primary care physicians to equal 100% of Medicare reimbursement in CY 2013 and CY 2014. No additional federal funding is available after CY 2014. Our projections assume that DHW will continue to pay these higher rates after the additional federal funding had ended. Given the shortage of primary care physicians serving this population we have assumed that the additional funding may be required to provide sufficient access to care.

IV. OTHER IMPACTS NOT MODELED

The following outlines additional financial impacts under the current provisions of the federal legislation. The issues highlighted below ***have not*** been included in the financial projections shown in our analysis.

- **Changes to Medicaid Eligibility Levels for Certain Eligibility Categories:** Several states are evaluating whether to reduce eligibility levels for certain Medicaid beneficiaries starting on January 1, 2014, such as pregnant women and breast and cervical cancer program enrollees, due to the availability of subsidized coverage through the health benefit exchange. We assumed that DHW would maintain its current 133% of FPL eligibility level for pregnant women and continue to operate the breast and cervical cancer program.

- **Reductions in DSH Allotments:** Medicaid Disproportionate Share (DSH) funding will be reduced starting in 2014 depending on the characteristics of each state. Exhibit 5 presents the loss of federal funds to hospitals due to DSH reductions. Changes to DSH funding are not part of our primary state cost exhibits.

- **Start-up Administrative Costs:** We did not include any additional administrative costs related to reform prior to SFY 2014 or administrative costs related to developing a health insurance exchange. These additional costs could be substantial.

- **Impact on Other State Agencies:** We did not consider the impact of the ACA on any other Idaho state agencies, except for those programs listed.

- **Economic Ripple Effect or Multiplier:** We did not consider the multiplied impact of the additional state and federal dollars spent in the state.

- **Maintenance of Effort:** We did not consider the impact of Maintenance of Effort (MOE) requirements. Our model assumes the federal government will modify or waive current MOE requirements in place for the Department's Behavioral Health and Public Health programs.

V. CAVEATS AND LIMITATIONS

This report is intended for the internal use of the Idaho Department of Health and Welfare (DHW) in accordance with its statutory and regulatory requirements. Milliman recognizes that the materials may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, any third parties who receive this report and related materials. The materials should only be reviewed in their entirety. Any user of this report should possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

In the development of the data and information presented in this report, Milliman has relied upon certain data from the state of Idaho and its vendors. In addition, we have placed significant reliance on census data. To the extent that the data was not complete or accurate, the values presented in the report will need to be reviewed for consistency and revised to meet any revised data. Although we have performed several reasonableness checks we have not audited these data sources. The data and information included in this report has been developed to assist in the analysis of the financial impact of the ACA on state of Idaho Medicaid and related expenditures. The data and information presented may not be appropriate for any other purpose. It should be emphasized that the results presented in this correspondence are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this report.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. Justin Birrell and Ben Diederich are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report. This analysis – the assumptions, methodology, and calculations – has been thoroughly peer reviewed by qualified actuaries.

Exhibit 1

Impact of the ACA on the Idaho Medicaid Budget, Including State and Local Cost Offsets

Exhibit 1
STATE OF IDAHO
Division of Medicaid
Health Care Reform Projection - Senate Bill with Reconciliation Act
Total Projected Additional Local, State, and Federal Costs <Savings>
State and Local Dollars Only (Values in Millions)

Option # 1: No Optional Expansion	SFY 2014*	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Total
Mandatory Expansion Claim Costs:												
Woodwork	$12.4	$25.3	$26.0	$26.6	$27.3	$28.0	$28.7	$29.4	$30.1	$30.9	$31.6	$296.3
Mandatory Expansion	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Foster Care	$1.7	$3.5	$3.6	$3.7	$3.8	$3.9	$4.0	$4.1	$4.2	$4.3	$4.4	$41.0
Physician	$0.0	$3.0	$6.1	$6.3	$6.5	$6.6	$6.8	$7.0	$7.2	$7.3	$7.5	$64.4
CHIP	$0.0	$0.0	($4.3)	($5.9)	($6.0)	($6.2)	($1.6)	$0.0	$0.0	$0.0	$0.0	($23.9)
Administration (DHW) Costs:	$0.7	$1.4	$1.4	$1.5	$1.5	$1.5	$1.6	$1.6	$1.7	$1.7	$1.7	$16.3
Projected Offsets and Savings												
CAT Program (State)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Medical Indigent (County)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Medical Ind (County Admin)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Behavior Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Public Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Local and State Offset:	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net State & Local (No Expansion) Spending <Savings>	$14.8	$33.2	$32.8	$32.2	$33.0	$33.9	$39.4	$42.1	$43.1	$44.2	$45.3	$394.0

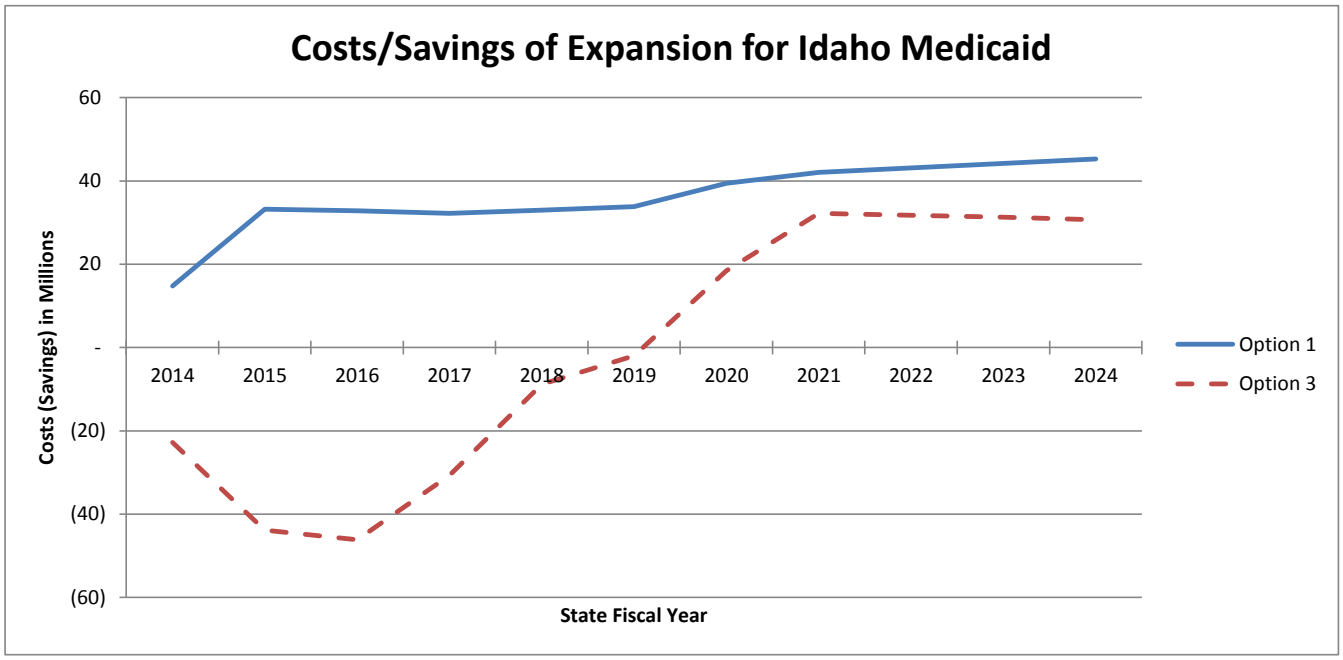
Option # 3: 138% Expansion	SFY 2014	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Total
Additional Expanding Spending:												
Optional Expansion Claim Costs:	$0.0	$0.0	$0.0	$19.4	$43.8	$53.1	$71.1	$85.8	$87.9	$90.1	$92.4	$543.5
Administration (DHW) Costs:	$4.4	$9.0	$9.2	$9.5	$9.7	$9.9	$10.2	$10.4	$10.7	$11.0	$11.2	$105.3
Total Additional Expansion Costs	$4.4	$9.0	$9.2	$28.9	$53.5	$63.0	$81.3	$96.2	$98.6	$101.1	$103.6	$648.8
Projected Offsets and Savings												
CAT Program (State)	($20.1)	($40.9)	($41.6)	($43.7)	($45.8)	($47.8)	($49.9)	($52.1)	($54.4)	($56.9)	($59.4)	($512.6)
Medical Indigent (County)	($14.1)	($29.5)	($30.7)	($32.0)	($33.2)	($34.4)	($35.6)	($36.9)	($38.3)	($39.7)	($41.1)	($365.6)
Medical Ind (County Admin)	($2.5)	($5.2)	($5.5)	($5.7)	($5.9)	($6.1)	($6.3)	($6.6)	($6.8)	($7.0)	($7.2)	($64.7)
Behavior Health (DHW)	($4.8)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($101.3)
Public Health (DHW)	($0.4)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($8.4)
Total Local and State Offset:	($42.0)	($86.1)	($88.2)	($91.8)	($95.3)	($98.8)	($102.3)	($106.0)	($109.9)	($114.0)	($118.2)	($1,052.7)
Net State & Local (Expansion Only) Spending <Savings>	($37.6)	($77.1)	($79.0)	($62.9)	($41.8)	($35.8)	($21.0)	($9.8)	($11.3)	($12.9)	($14.6)	($403.9)
Net State & Local (Total Costs) Spending <Savings>	($22.8)	($43.8)	($46.1)	($30.7)	($8.8)	($2.0)	$18.5	$32.2	$31.8	$31.3	$30.7	($9.8)
Total State & Local Spending "Swing" between option #1 & #3	($37.6)	($77.1)	($79.0)	($62.9)	($41.8)	($35.8)	($21.0)	($9.8)	($11.3)	($12.9)	($14.6)	($403.9)

*Only includes six month of state fiscal year.

Exhibit 2

Impact of the ACA on the Idaho Medicaid Budget, Including State and Local Cost Offsets
Savings/Cost Graph

Exhibit 2
STATE OF IDAHO
Division of Medicaid
Health Care Reform Projection - Senate Bill with Reconciliation Act
State and Local Dollars Only (Values in Millions)



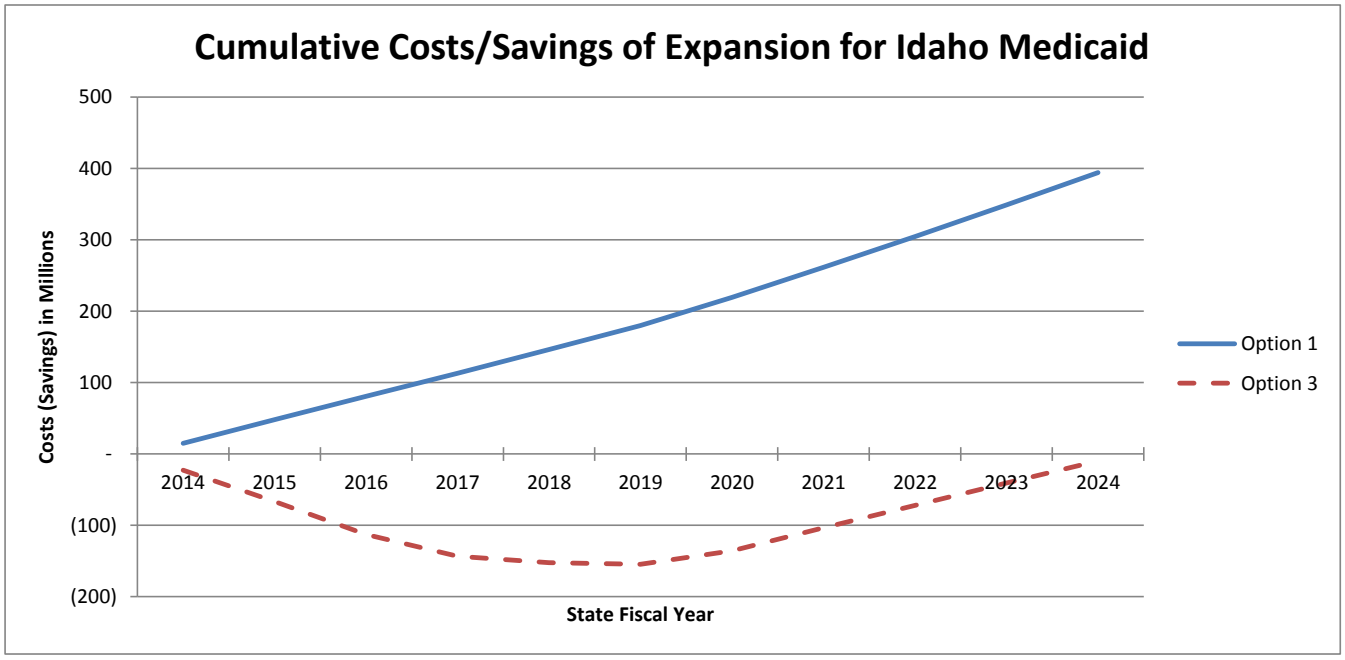


Exhibit 3

Cost Projections by Age/Gender

Exhibit 3
Idaho Department of Health and Welfare
Estimated SFY 2014 PMPM Costs by Age/Gender Band

Age Band	Male	Female	Composite
00 to 17	$122.53	$122.53	$122.53
18 to 24	$158.98	$619.51	$432.12
25 to 34	$314.49	$628.28	$473.76
35 to 44	$563.09	$737.27	$656.95
45 to 54	$982.33	$777.52	$875.08
55 to 59	$1,071.59	$1,073.93	$1,072.86
60 to 64	$756.87	$1,139.70	$939.58
Adult	$464.59	$700.68	$590.42
Child	$122.53	$122.53	$122.53
Total	$370.28	$556.08	$467.70

Membership Weights

Age Band	Male	Female	Total
00 to 17	19,680	19,680	39,360
18 to 24	9,329	13,598	22,927
25 to 34	21,176	21,826	43,002
35 to 44	10,434	12,194	22,627
45 to 54	6,716	7,383	14,099
55 to 59	1,090	1,305	2,395
60 to 64	2,953	2,696	5,649
Total	71,377	78,682	150,059

Exhibit 4

Potential and Projected State and Local Cost Offsets

Exhibit 4
Idaho Department of Health and Welfare
Potential and Projected State and Local Cost Offsets
State and Local Dollars Only (Values in Millions)

Continued Costs:	SFY 2014*	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Total
CAT Program (State)	$21.2	$43.1	$43.8	$46.0	$48.2	$50.4	$52.5	$54.8	$57.3	$59.8	$62.5	$539.6
Medical Indigent (County)	$15.7	$32.8	$34.1	$35.5	$36.9	$38.3	$39.6	$41.0	$42.6	$44.1	$45.7	$406.2
Medical Ind (County Admin)	$2.8	$5.8	$6.1	$6.3	$6.6	$6.8	$7.0	$7.3	$7.5	$7.8	$8.0	$71.9
Behavior Health (DHW)	$4.8	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$101.3
Public Health (DHW)	$0.4	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$8.4
Total Local and State Spend:	$44.9	$92.1	$94.4	$98.3	$102.1	$105.8	$109.6	$113.6	$117.8	$122.2	$126.7	$1,127.5

Continued Costs after Mandatory Expansion Only (note no assumed savings for mandatory expansion):												
CAT Program (State)	$21.2	$43.1	$43.8	$46.0	$48.2	$50.4	$52.5	$54.8	$57.3	$59.8	$62.5	$539.6
Medical Indigent (County)	$15.7	$32.8	$34.1	$35.5	$36.9	$38.3	$39.6	$41.0	$42.6	$44.1	$45.7	$406.2
Medical Ind (County Admin)	$2.8	$5.8	$6.1	$6.3	$6.6	$6.8	$7.0	$7.3	$7.5	$7.8	$8.0	$71.9
Behavior Health (DHW)	$4.8	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$9.7	$101.3
Public Health (DHW)	$0.4	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$0.8	$8.4
Total Local and State Spend:	$44.9	$92.1	$94.4	$98.3	$102.1	$105.8	$109.6	$113.6	$117.8	$122.2	$126.7	$1,127.5

Continued Costs after Optional Expansion:												
CAT Program (State)	$1.1	$2.2	$2.2	$2.3	$2.4	$2.5	$2.6	$2.7	$2.9	$3.0	$3.1	$27.0
Medical Indigent (County)	$1.6	$3.3	$3.4	$3.6	$3.7	$3.8	$4.0	$4.1	$4.3	$4.4	$4.6	$40.6
Medical Ind (County Admin)	$0.3	$0.6	$0.6	$0.6	$0.7	$0.7	$0.7	$0.7	$0.8	$0.8	$0.8	$7.2
Behavior Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Public Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Local and State Spend:	$2.9	$6.0	$6.2	$6.5	$6.8	$7.0	$7.3	$7.6	$7.9	$8.2	$8.5	$74.8

*Only includes six month of state fiscal year.

Exhibit 5

Hospital Impact – Projected Loss of Federal Funds due to DSH Reductions

Exhibit 5
Idaho Department of Health and Welfare
Potential Loss of DSH Funding

Other Impacts - Hospitals:	SFY 2014*	SFY 2015	SFY 2016	SFY 2017	SFY 2018	SFY 2019	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Cumulative Total
Potential Loss of Federal Funds												
Medicare DSH	$0.0	$7.4	$8.2	$10.3	$9.1	$10.5	$10.7	$10.9	$11.1	$11.3	$11.6	$101.1
Medicaid DSH**	$0.4	$0.6	$0.6	$1.4	$4.1	$5.3	$4.2	$4.2	$4.2	$4.2	$4.2	$33.5
Total Loss of FFs:	$0.4	$8.0	$8.8	$11.7	$13.2	$15.8	$14.9	$15.1	$15.3	$15.5	$15.8	$134.6

* Six months of SFY 2014

** In SFY 2012, Idaho Hospitals received approximately $16.4 million in federal Medicaid DSH payments; we have applied assumed redutions to this starting amount in annual funding based on national reduction percentages which have been dampened to reflect that Idaho is a low DSH state. Note that these are estimates and many factors will affect final funding reductions. The Affordable Care Act (ACA) reduced disproportionate share hospital (DSH) allotments on the assumption that with the expansion of health care coverage, there would be fewer uninsured and less uncompensated care. Guidance regarding loss of DSH funding was only provided through Federal fiscal year 2020, we have assumed no change in DSH reductions after Federal fiscal year 2020. We do not know the exact impact if a state decides not to participate in the ACA Medicaid eligibility expansion.

Exhibit 6

Impact of the ACA on the Idaho Medicaid Budget, Including State and Local Cost Offsets – Assumes County Indigent/CAT funds are totally eliminated

Exhibit 6
STATE OF IDAHO
Division of Medicaid
Health Care Reform Projection - Senate Bill with Reconciliation Act
Total Projected Additional Local, State, and Federal Costs <Savings> - Assumes County Indigent/CAT funds are Totally Eliminated
State and Local Dollars Only (Values in Millions)

Option # 1: No Optional Expansion	**SFY 2014***	**SFY 2015**	**SFY 2016**	**SFY 2017**	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**SFY 2023**	**SFY 2024**	**Total**
Mandatory Expansion Claim Costs:												
Woodwork	$12.4	$25.3	$26.0	$26.6	$27.3	$28.0	$28.7	$29.4	$30.1	$30.9	$31.6	$296.3
Mandatory Expansion	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Foster Care	$1.7	$3.5	$3.6	$3.7	$3.8	$3.9	$4.0	$4.1	$4.2	$4.3	$4.4	$41.0
Physician	$0.0	$3.0	$6.1	$6.3	$6.5	$6.6	$6.8	$7.0	$7.2	$7.3	$7.5	$64.4
CHIP	$0.0	$0.0	($4.3)	($5.9)	($6.0)	($6.2)	($1.6)	$0.0	$0.0	$0.0	$0.0	($23.9)
Administration (DHW) Costs:	$0.7	$1.4	$1.4	$1.5	$1.5	$1.5	$1.6	$1.6	$1.7	$1.7	$1.7	$16.3
Projected Offsets and Savings												
CAT Program (State)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Medical Indigent (County)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Medical Ind (County Admin)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Behavior Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Public Health (DHW)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Local and State Offset:	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net State & Local (No Expansion) Spending <Savings>	$14.8	$33.2	$32.8	$32.2	$33.0	$33.9	$39.4	$42.1	$43.1	$44.2	$45.3	$394.0

Option # 3: 138% Expansion	**SFY 2014**	**SFY 2015**	**SFY 2016**	**SFY 2017**	**SFY 2018**	**SFY 2019**	**SFY 2020**	**SFY 2021**	**SFY 2022**	**SFY 2023**	**SFY 2024**	**Total**
Additional Expanding Spending:												
Optional Expansion Claim Costs:	$0.0	$0.0	$0.0	$19.4	$43.8	$53.1	$71.1	$85.8	$87.9	$90.1	$92.4	$543.5
Administration (DHW) Costs:	$4.4	$9.0	$9.2	$9.5	$9.7	$9.9	$10.2	$10.4	$10.7	$11.0	$11.2	$105.3
Total Additional Expansion Costs	$4.4	$9.0	$9.2	$28.9	$53.5	$63.0	$81.3	$96.2	$98.6	$101.1	$103.6	$648.8
Projected Offsets and Savings												
CAT Program (State)	($21.2)	($43.1)	($43.8)	($46.0)	($48.2)	($50.4)	($52.5)	($54.8)	($57.3)	($59.8)	($62.5)	($539.6)
Medical Indigent (County)	($15.7)	($32.8)	($34.1)	($35.5)	($36.9)	($38.3)	($39.6)	($41.0)	($42.6)	($44.1)	($45.7)	($406.2)
Medical Ind (County Admin)	($2.8)	($5.8)	($6.1)	($6.3)	($6.6)	($6.8)	($7.0)	($7.3)	($7.5)	($7.8)	($8.0)	($71.9)
Behavior Health (DHW)	($4.8)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($9.7)	($101.3)
Public Health (DHW)	($0.4)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($0.8)	($8.4)
Total Local and State Offset:	($44.9)	($92.1)	($94.4)	($98.3)	($102.1)	($105.8)	($109.6)	($113.6)	($117.8)	($122.2)	($126.7)	($1,127.5)
Net State & Local (Expansion Only) Spending <Savings>	($40.5)	($83.1)	($85.2)	($69.4)	($48.6)	($42.8)	($28.3)	($17.4)	($19.2)	($21.1)	($23.1)	($478.6)
Net State & Local (Total Costs) Spending <Savings>	($25.7)	($49.9)	($52.3)	($37.2)	($15.6)	($9.0)	$11.2	$24.6	$23.9	$23.1	$22.2	($84.6)
Total State & Local Spending "Swing" between option #1 & #3	($40.5)	($83.1)	($85.2)	($69.4)	($48.6)	($42.8)	($28.3)	($17.4)	($19.2)	($21.1)	($23.1)	($478.6)

*Only includes six month of state fiscal year.