



JOINT LEGISLATIVE AUDIT AND REVIEW COMMISSION
Fiscal Impact Review
2012 Session

Bill Number: HB 183

Review Requested By: Speaker Howell

JLARC Staff Fiscal Estimates

HB 183 would expand Medicaid coverage to otherwise eligible pregnant women during their first five years of lawful residence in the United States. JLARC staff do not concur with the Fiscal Impact Statement (FIS) because it does not take into account the fact that 58 percent of pregnant women are covered by managed care. As a result, the FIS estimates of State General Fund costs for FY 2013 and FY 2014 are higher than would be expected by approximately \$480,000 in FY 2013 and \$553,000 in FY 2014. The table indicates that the costs estimated by JLARC staff for the first two years are less than those in the FIS. The approach taken in the FIS on a second feature of the bill, expanding FAMIS MOMS benefits to otherwise eligible pregnant legal alien women and FAMIS coverage to legal alien children, appears reasonable.

Fiscal Year	FIS Estimates		JLARC Estimate	
	General Fund Costs	Federal Costs	General Fund Costs	Federal Costs
FY 2013	\$1,141,694	\$1,393,417	\$661,598	\$913,321
FY 2014	\$1,563,649	\$1,995,330	\$1,010,032	\$1,441,714
FY 2015	\$1,635,340	\$2,128,470	\$1,635,340	\$2,128,470
FY 2016	\$1,691,433	\$2,232,644	\$1,691,433	\$2,232,644

In addition, the FIS does not take into account potential savings that could be realized from improved neonatal outcomes as a result of providing prenatal care to legal alien women. It is likely that in the long run, the costs related to HB 183 may largely be offset by the associated savings resulting from improved neonatal outcomes.

An explanation of the JLARC staff review is included on the following pages.

Authorized for Release:

Glen S. Tittermary
Director

Bill Summary: HB 183 provides Medicaid coverage for otherwise eligible legal immigrant pregnant women during their first five years of lawful residence in the United States. The bill also provides coverage under the Family Access to Medical Insurance Security (FAMIS) program for legal immigrant children and pregnant women during their first five years of lawful residence in the United States. Prior to the federal Children's Health Insurance Program Reauthorization Act of 2009 (P.L. 111-3), federal reimbursement for Medicaid and FAMIS coverage of these legal immigrants was not allowed under federal law during their first five years of legal residence.

Discussion of Fiscal Implications: The DPB fiscal impact statement for HB 183 is based on three separate cost calculations for the three groups for which eligibility is expanded under this bill: pregnant women covered by Medicaid; pregnant women covered by the FAMIS MOMS program; and children covered by the FAMIS program. This review will focus on the major cost item, the expansion of Medicaid coverage to otherwise eligible legal immigrant pregnant women.

Expansion of Medicaid Coverage of Pregnant Women

This bill expands full Medicaid coverage to otherwise eligible legal immigrant pregnant women during their first five years of lawful residence in the United States. Virginia's Medicaid program currently pays for the labor and delivery costs (emergency services) for lawfully residing resident alien women who are otherwise eligible but do not meet current Medicaid alien status requirements. The fiscal impact statement (FIS) estimates that extending full Medicaid benefits (which includes prenatal and postnatal care) to these women would cost an additional \$1.7 million in FY 2013 and an additional \$2.1 million in FY 2014 and thereafter, with 50 percent of these expenditures coming from State General Funds.

DMAS staff indicate that a woman's immigration status is not obtained when emergency labor and delivery services are provided, so specific data is not available to determine the number of newly eligible women under this expansion. However, based on the average of estimates provided by seven hospitals in 2011, DMAS estimates that about 16 percent of emergency services births are to legal immigrant aliens. Applying this estimate to the 5,510 total emergency services births paid for by Medicaid in FY 2011 results in an estimate of 905 additional women who would have been eligible for Medicaid under this policy change.

In order to estimate the fiscal impact of covering these 905 individuals, the FIS used the 2011 average annual expenditures on pregnant women covered through the FAMIS MOMS program, which provides similar coverage to what these individuals would receive under Medicaid. This results in an estimated annual cost of \$4.1 million to cover these individuals in FY 2013 and \$5.1 million in FY 2014 and beyond. However these estimates include the labor and delivery costs already provided for these individuals under current Medicaid policy, so those costs must be netted out to estimate the fiscal impact of HB 183. Doing so results in a net fiscal impact of \$1.7 million (State plus federal match) in FY 2013 and \$2.1 million in FY 2014 and beyond reflected in the FIS.

The FIS is based on the assumption that DMAS will be directly responsible for all of the medical costs associated with these newly eligible individuals. While this is true for individuals who are covered under DMAS's fee-for-service program, where DMAS pays providers directly for medical services, it may not be the case for individuals who are covered under Medicaid managed care. Under managed care, DMAS pays a flat monthly rate per enrollee to a managed care organization (MCO,) which is then responsible for all medical costs incurred by each enrollee. These rates are set prospectively for each fiscal year based on average costs experienced by enrollees in years prior. While different rates are paid to different groups based on characteristics such as age, sex, and disability status, pregnancy is not one of these characteristics. Instead, the women who would be

enrolled into MCOs through this eligibility expansion would most likely be covered under the standard rate for low income women aged 21-44.

According to DMAS, 58 percent of pregnant women are covered by managed care, while the remaining 42 percent are covered under fee-for-service. Assuming that 1)DMAS incurs the managed care rate for pregnant women covered by MCOs, and 2)DMAS incurs all the medical costs of those covered by fee-for-service, results in an estimated cost of \$3.1 million in FY 2013 and \$4.0 million in FY 2014. Subtracting the estimated expenditures on labor and delivery results in the net fiscal impact of \$0.7 million in FY 2013 and \$1.0 million in FY 2014. The reduced fiscal impact in FY 2013 versus FY 2014 is based on assumptions about program implementation, mainly due to the time it takes for claims to be filed and processed (claims lag) in the first year.

In FY 2015 and beyond, the FIS uses a reasonable method to estimate costs regardless of what proportion of these women are covered under managed care versus fee-for-service. This is because at that point, the managed care rates will be recalculated based on the actual costs experienced as a result of this Medicaid expansion.

Policy changes can sometimes lead to *prospective* adjustments to the managed care rates based on the expected cost of the policy change. If rates for FY 2013 and FY 2014 are adjusted prospectively based on the expected costs of including this new group of pregnant women, then the fiscal impact would likely be closer to that shown in the original FIS.

The FIS does not address the potential savings from providing benefits. Managed care may insulate the state from directly or immediately experiencing these cost savings until FY 2015, when rates are recalculated based on actual cost experience. According to DMAS, about 80 percent of children are currently covered by managed care, so cost savings for these children as a result of better prenatal care would initially accrue to the MCO responsible for paying for their medical care. For the 20 percent of children in the fee-for service program, DMAS is directly responsible for their medical costs and would therefore see any savings immediately. When managed care rates are recalculated in 2015, all cost savings would accrue to the State regardless of how the child is covered.

As noted in a JLARC staff review of a similar bill (HB 2192) last year, while it is difficult to estimate the actual savings, it is reasonable to expect neonatal cost savings of \$1.49 for every \$1 spent providing prenatal care. This could potentially offset much of the cost of providing additional care to pregnant women. It is important to note that these savings should only be applied to prenatal care expenditures and not to all medical expenditures on pregnant women. Further discussion of cost savings can be found in JLARC's fiscal impact review of HB 2192 (2011 Session.)

Expansion of FAMIS MOMS/FAMIS Children Coverage

The approach taken in the FIS to estimate the costs of expanding FAMIS MOMS benefits to pregnant legal alien women and FAMIS coverage to legal alien children appears reasonable. Because DMAS is responsible for enrolling women and children in the FAMIS program, it is known exactly how many individuals were denied coverage as a result of their alien status. In addition, average costs are known for these groups as well.

Budget Amendment Necessary: Yes

Agencies Affected: Department of Medical Assistance Services

Date Released, Prepared By: 1/30/2012; Brad Marsh.