

Department of Planning and Budget 2016 Fiscal Impact Statement

1. Bill Number: HB 797

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Plum, Kenneth R.

3. Committee: Health, Welfare and Institutions

4. Title: State plan for medical assistance; eligibility of individuals

5. Summary: The proposed legislation requires the Board of Medical Assistance Services to include in the state plan for medical assistance provision for the payment of medical assistance on behalf of individuals described in 42 U.S.C. § 1396a(a)(10)(A)(i)(VIII) who are under 65 years of age and not otherwise eligible for medical assistance and whose household income does not exceed 133 percent of the federal poverty level for a family of that size. The bill provides that such provision shall expire on December 31 of any year in which the federal medical assistance percentage for such individuals falls below the percentages set forth in 42 C.F.R. § 433.10(c)(6).

6. Budget Amendment Necessary: No. Similar to this proposal, the introduced budget includes budget language requiring the Department of Medical Assistance Services (DMAS) to implement coverage for newly eligible individuals pursuant to 42 U.S.C. § 1396d(y)(1)[2010] of the Patient Protection and Affordable Care Act. Therefore, all of the fiscal implications outlined in Item 8 are included in the budget bill (HB 30) and no budget amendments are necessary.

7. Fiscal Impact Estimates: Final

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2016	-	-	General
2016	-	-	Nongeneral
2017	(59,171,815)	15	General
2017	711,316,835	15	Nongeneral
2018	(97,686,254)	15	General
2018	2,303,388,867	15	Nongeneral
2019	(83,870,301)	15	General
2019	2,379,550,184	15	Nongeneral
2020	(33,767,163)	15	General
2020	2,404,178,770	15	Nongeneral
2021	6,063,809	15	General
2021	2,442,246,406	15	Nongeneral
2022	3,146,750	15	General
2022	2,527,254,814	15	Nongeneral

- 8. Fiscal Implications:** The proposed legislation would expand Medicaid to cover all individuals under age 65 with income below 133% of the federal poverty level, based on family size. Adoption of this legislation would increase the numbers of individuals eligible for full Medicaid coverage in Virginia. The Affordable Care Act authorizes states to expand Medicaid coverage to individuals between the ages of 19 and 65 who have family income that does not exceed 133% of the federal poverty level. Expansion of Medicaid to this group would provide full health coverage to individuals not currently included in Medicaid groups covered by the Commonwealth of Virginia.

New Enrollment and Costs

The proposal would direct DMAS to cover Virginia citizens up to 133 percent (138 percent with five percent income disregard) of the federal poverty level (FPL) regardless of dependents or disability and begin coverage January 2017. The population that would gain coverage is estimated using 2012 Current Population Survey data from the U.S. Bureau of Labor Statistics which indicates there were 462,000 non-elderly uninsured adults between zero and 139 percent of FPL. Of those, 81,000 were estimated to not be eligible for Medicaid, primarily because they are undocumented immigrants. Using data on the current adult population in Virginia Medicaid and the experiences of other states when they expanded to cover non-caretaker adults, DMAS estimates 75 percent of the eligible new population would eventually enroll. An additional 60,000 individuals are assumed to drop current private insurance and enroll in Medicaid. Using the population growth rate in Virginia, adjusted for the changes in the uninsured percentage of the population, DMAS has applied a 0.5 percent annual growth rate and calculated 349,926 newly eligible individuals will eventually enroll as of January 2017.

The assumed cost per recipient is based on the costs of the current adult population in Medicaid. These costs were further broken out by service type and DMAS, in consultation with its contracted actuary, developed adjusted costs per recipient to reflect the expected populations that will be increased or newly covered in the expansion. The adjusted costs were based on findings of comparable populations in other states that have more experience with childless. Medical and behavioral services costs for the expansion population are assumed to increase an average of 3 percent a year. The federal government would fund the increased medical expenditures of this population at 95 percent of the costs for calendar year 2017. The federal match rate would be reduced to 94 percent for 2018, 93 percent for 2019, and for 2020 and beyond the federal match would be 90 percent. After accounting for the enhanced federal match, the general fund medical costs for coverage of this population would be \$19,171,488 in FY 2017 and \$144,207,276 in FY 2018, while federal expenditures are estimated to be \$747,688,059 in FY 2017 and \$2,478,317,489 in FY 2018. DMAS' analysis continues out through FY 2022 to capture the costs of the expansion after the federal funding match has been reduced to 90 percent. In FY 2022, the total costs for medical services for the newly eligible population is estimated to be \$3,027,560,780 with \$302,783,383 from the general fund.

Behavioral Health Savings

In order to take advantage of the enhanced federal match DMAS assumes the legislation would include coverage for behavioral health services and that has been included above. Currently, some low income adults targeted by the program and in need of behavioral health services receive them through local Community Services Boards (CSBs) paid for using general fund appropriation and local funds. Under the proposed legislation, many of these services would be paid for through Medicaid for these individuals, and would result in reductions in the general fund support provided to CSBs. DMAS with assistance from DBHDS estimates the offsetting savings available due to the services being paid through Medicaid included above to be \$12.1 million in FY 2017 and \$29.1 million in FY 2018.

Inmate Inpatient Hospital Savings

This fiscal impact also assumes savings realized by covering inpatient hospital services for state inmates. This care is currently paid by the Department of Corrections (DOC) from the general fund. With the legislation, incarcerated individuals would be considered newly eligible, and their costs can be paid using the enhanced match rate. Inmate coverage is allowed because the federal law does not disqualify incarcerated individuals from Medicaid; it just doesn't allow federal match except in cases when individual is not incarcerated (i.e. a patient admitted to a hospital). General fund savings from the DOC is expected to be \$9.9 million in FY 2017 and \$29.1 million in FY 2018.

Indigent Care Savings

The proposed legislation is expected to have a significant impact on reducing indigent care costs at the state teaching hospitals. Most of the indigent will be newly eligible for Medicaid, so the cost of their care is included in the costs above, and funded primarily with federal funds. Indigent care payments to the two state teaching hospitals are projected to be reduced by \$99.2 million (\$49.6 million GF) in FY 2017 and \$253.4 million (\$126.7 million GF) in FY 2018.

Pregnant Women Savings

The cost of women who enroll and then become pregnant are included in the in the base medical costs of the legislation. These women, without the legislation, would have enrolled in Medicaid as they became eligible as pregnant women. The costs that would have occurred without the plan are thus savings from the Medicaid program, estimated to be \$18.8 million (9.4 million GF) in SFY 2017 and \$86.8 million (43.4 million GF) in SFY 2018.

Governors Access Plan

The Transition Plan would also cover current expenditures projected through the Governor's Access Plan (GAP) as those individuals would be newly eligible for full medical care. The expenditures in the GAP are currently reimbursed with a 50% federal match rate but would receive the enhanced match of the Affordable Care Act. Savings from the bill available from the GAP are \$8.1 million (GF) in FY 2017 and \$19.2 million in FY 2018.

Other Savings

The legislation would allow DMAS to eliminate certain limited benefit programs as those individuals will be able to receive full Medicaid benefits as newly eligible, and their medical

expenditures can be funded at the enhanced match. Eliminating the limited-benefit Plan First (family planning) program would save \$308,000 GF in FY 2017 and \$926,000 GF in FY 2018. The enhanced match for the costs of the Breast and Cervical Cancer program would reduce GF expenditures by \$897,000 million in FY 2017 and \$6.3 million in FY 2018. Some current enrollees designated Medically Needy are also assumed to enroll in with the new low income adult population. Savings from this population is estimated at \$902,000 in FY 2017 and \$10.7 million GF in FY 2018. DMAS also estimates that 10 percent of Temporary Detention Orders (TDOs) paid by the Involuntary Commitment Fund will be newly eligible individuals and receive the enhanced federal match. The GF savings are estimated to be \$485,000 in FY 2017 and \$1.5 million in FY 2018.

Administrative Costs

DMAS estimates the administrative cost associated with the legislation to be \$47.6 million (\$13.2 million GF) in FY 2017 and \$54.7 million (\$17.4 million GF) in FY 2018. These costs include: (i) claims processing, software maintenance, lease cost for servers and storage, and mainframe costs; (ii) increased costs in applicable contracts that will be affected by the enrollment increase such as the managed care enrollment broker, recipient helpline, drug rebate collections, etc.; (iii) 15 positions at DMAS to address operational and reporting needs; and (iv) increased outreach and eligibility determination costs at the Department of Social Services.

Agency	Item	Service Area	SFY 2017				SFY 2018		
			MEL	GF	NGF	TOTAL FUNDS	GF	NGF	TOTAL FUNDS
602	301	45611		19,171,488	747,688,059	766,859,547	144,207,276	2,478,317,489	2,622,524,765
602	298	32107		(484,582)	0	(484,582)	(1,453,873)	0	(1,453,873)
602	301	45609		(69,011,638)	(70,782,886)	(139,794,525)	(203,928,178)	(212,315,286)	(416,243,463)
602	304	49901	15	11,759,798	30,314,491	42,374,288	15,173,158	31,019,287	46,192,445
765	336	46010		1,402,388	4,097,172	5,499,560	2,179,438	6,367,376	8,546,814
790	308	44506		(12,143,442)	0	(12,143,442)	(29,144,262)	0	(29,144,262)
799	384	39810		(9,865,826)	0	(9,865,826)	(24,719,813)	0	(24,719,813)
Total				(59,171,815)	711,316,835	652,445,020	(97,686,254)	2,303,388,867	2,205,702,613

9. Specific Agency or Political Subdivisions Affected:

Department of Medical Assistance Services
Department of Social Services
Department of Behavioral Health and Developmental Services
Department of Corrections
Office of the Attorney General.

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/21/16