

## Department of Planning and Budget 2018 Fiscal Impact Statement

**1. Bill Number:** HB 348

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

**2. Patron:** Sickles

**3. Committee:** Rules

**4. Title:** Medical assistance; eligibility for state plan.

**5. Summary:** The proposed legislation requires the Board of Medical Assistance Services to include in the state plan for medical assistance a provision for the payment of medical assistance for individuals under the age of 65, who are not otherwise eligible for medical assistance, and whose household income does not exceed 133 percent of the federal poverty level. The bill also proposes that expanded coverage will end on December 31st of any year in which the federal reimbursement rate falls below percentages set out in the Code of Federal Regulations at 42 C.F.R. 433.10 (c )(6). Additionally, this proposed legislation seeks to repeal sections of the Code of Virginia related to the Medicaid Innovation and Reform Commission.

**6. Budget Amendment Necessary:** No. Similar to this proposal, the introduced budget includes language requiring the Department of Medical Assistance Services (DMAS) to amend the State Plan for Medicaid Assistance under Title XIX of the Social Security Act to implement coverage for newly eligible individuals pursuant to the Patient Protection and Affordable Care Act. It further directs DMAS to implement such provision by October 1, 2018. Based on the estimated time it would take to implement the expansion of eligibility in the Medicaid program required under this proposal, implementation prior to October 1 is not feasible. As such, this statement assumes any fiscal impact will begin on October 1. Therefore, it is assumed that the introduced budget (HB 30) covers any fiscal implications resulting from this bill and no budget amendments are necessary.

**7. Fiscal Impact Estimates:** Total fiscal impacts identified below include all medical and administrative costs to provide health care services to the expanded Medicaid population, savings that would result from eliminating partial benefit programs that currently receive a lower federal match rate, a reduction of indigent care payments to providers, and reductions in some general fund expenditures currently paid through the Department of Corrections and Department of Behavioral Health and Developmental Services as described in section 8.

**Expenditure Impact\*:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2018	611,953	7.5	General
2018	1,111,953	7.5	Nongeneral
2019	(71,169,239)	7.5	General

2019	862,170,127	7.5	Nongeneral
2020	(43,567,718)	7.5	General
2020	2,037,574,254	7.5	Nongeneral
2021	(9,148,483)	7.5	General
2021	2,104,530,235	7.5	Nongeneral
2022	(7,694,495)	7.5	General
2022	2,178,307,487	7.5	Nongeneral
2023	(7,694,495)	7.5	General
2023	2,178,307,487	7.5	Nongeneral
2024	(7,694,495)	7.5	General
2024	2,178,307,487	7.5	Nongeneral

\*Note: The introduced budget provides for an assessment on private acute care hospitals operating in Virginia equal to the estimated cost (\$306.9 million) of providing Medicaid coverage to the expanded population. However, as this proposal does not include any such assessment, this statement does not reflect those impacts. The “Other Comments” below provide additional information with regard to the assessment.

- 8. Fiscal Implications:** This 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. 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. While this bill is estimated to have a significant fiscal impact, the enhanced federal match available through the Affordable Care Act results in the cost of the bill being primarily funded by the federal government. Provisions in the Affordable Care Act also allow the state to convert costs currently paid by the general fund to federal funds resulting in net general fund savings to the Commonwealth from FY 2019 through FY 2024.

#### Increased Enrollment Cost

The proposed legislation would require DMAS to cover Virginia citizens up to 133 percent (138 percent including a five percent income disregard) of the federal poverty level (FPL) regardless of dependents or disability. Based on information from U.S. Bureau of Labor Statistics and the U.S. Census Bureau, DMAS estimates there are 370,000 non-elderly uninsured adults in Virginia. Approximately 84,000 of these individuals would not be eligible for Medicaid under the bill, primarily because they are undocumented immigrants. Using data on the current adult Medicaid population in Virginia and the experiences of other states, DMAS estimates 85 percent of the newly eligible population would eventually enroll. An additional 60,000 individuals are assumed to drop current private insurance and enroll in Medicaid. In total, DMAS assumes that 300,791 of the newly eligible individuals under the proposal will eventually enroll as of January 2019. In addition, DMAS assumes that over 1,000 individuals would seek health care coverage with Medicaid that were previously eligible but not enrolled.

Based on the current adult population in Medicaid, findings of comparable populations in other states that have experience with childless adults and consultation with its contracted actuary, DMAS developed costs per recipient to reflect the expected populations that will be increased or newly covered under expansion. The federal government would federally match medical expenditures of this expansion population at 93 percent for 2019, and at 90 percent

for 2020 and beyond. With the enhanced federal match rate, the general fund medical costs for the increase in Medicaid enrollment under the bill would be \$64 million in FY 2019 and \$205 million in FY 2020, while federal expenditures are estimated to be \$906 million in FY 2019 and \$2.16 billion in FY 2020.

#### Behavioral Health Savings

Under current law, some low income adults targeted by the legislation and in need of behavioral health services receive them through local Community Services Boards (CSB). When CSBs provide services to uninsured individuals, they do not receive reimbursement and the services are entirely funded with state funds. Savings to the CSBs would result as some uninsured individuals currently receiving case management and behavioral health community rehabilitation services gain coverage through Medicaid expansion and the CSBs would be reimbursed through Medicaid for the delivery of these services. DMAS, with assistance from the Virginia Department of Behavioral Health and Developmental Services, estimates a reduction in needed general fund for behavioral health services provided through CSBs to be \$16.7 million in FY 2019 and \$25.0 million in FY 2020.

#### Inmate Inpatient Hospital Savings

Inpatient hospital services for state inmates are currently paid by the Department of Corrections (DOC) with general fund dollars. Under the legislation, incarcerated individuals would be considered newly eligible and their inpatient hospital services cost could be paid using the enhanced match rate. The net general fund savings from DOC is expected to be \$17.2 million in FY 2019 and \$26.9 million in FY 2020.

#### Indigent Care Savings

The proposed legislation would result in a significant reduction in indigent care costs at the state teaching hospitals. DMAS estimates that the majority of those currently indigent will be newly covered by Medicaid under the proposal and such care could be funded at the enhanced match rate. Indigent care payments to the two state teaching hospitals are projected to be reduced by \$142.4 million (\$71.2 million general fund) in FY 2019 and \$220.6 million (\$110.3 million general fund) in FY 2020.

#### Pregnant Women Savings

DMAS assumes that the number of women who would have previously become eligible for Medicaid as pregnant women would decrease as more women of child bearing age gain coverage through Medicaid expansion. For this estimate, the cost of women who enroll and then become pregnant are included in the newly enrolled estimates. Therefore, DMAS estimates a saving in the Medicaid program of 31.3 million (15.7 million general fund) in FY 2019 and \$95.1 million (47.6 million general fund) in FY 2020 for women enrolled under the legislation who would have otherwise become eligible because of a pregnancy.

#### Limited Benefit and 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 Governor's Access Plan would result in general fund savings of \$26.9 million in FY 2019 and \$42.0 million in FY

2020. Eliminating the Plan First (family planning) program would save \$547,000 general fund in FY 2019 and \$938,000 general fund in FY 2020. The enhanced match for the cost of the Breast and Cervical Cancer program would reduce general fund expenditures by \$1.5 million in FY 2019 and \$4.8 million in FY 2020. Some current enrollees designated Medically Needy are also assumed to enroll in with the new low income adult population. General fund savings from this population is estimated at \$2.5 million in FY 2019 and \$12.9 million in FY 2020. DMAS also estimates that 15 percent of Temporary Detention Orders (TDO) paid by the Involuntary Commitment Fund (100 percent state funds) will be newly eligible individuals and receive the enhanced federal match. The general fund savings are estimated to be \$1.6 million in FY 2019 and \$2.8 million in FY 2020.

#### Administrative Costs

DMAS estimates the administrative cost associated with the proposal to be \$1.7 million (\$611,953 GF) in FY 2018, \$70 million (\$17 million GF) in FY 2019, and \$86 Million (\$21 million GF) in FY 2020. These costs include: (i) IT implementation, claims processing, and software maintenance; (ii) increased cost in applicable contracts that will be affected by the enrollment increase such as the managed care enrollment broker, recipient helpline, actuarial services etc.; (iii) 15 positions at DMAS to address operational and reporting needs; and (iv) increased eligibility determination costs at the Department of Social Services.

#### **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 Attorney General

#### **10. Technical Amendment Necessary:** No

#### **11. Other Comments:** The introduced budget provides for an assessment on private acute care hospitals operating in Virginia equal to the estimated cost of providing Medicaid coverage to the expanded population pursuant to the Patient Protection and Affordable Care Act. Revenue from such provider assessment would be deposited in the Virginia Health Care Fund (VHCF) and offset the general fund cost of providing medical assistance to Virginians. If the introduced budget is amended to eliminate the expansion language similar to HB 348, there would be a fiscal impact in addition to what is identified above as result of the inability to collect those assessments. DMAS estimates that eliminating either the expansion or provider assessment language in the budget would increase general fund costs by \$80.8 million in 2019 and \$226.1 million in 2020 as a result of reductions in revenue to VHCF.

This bill is a companion to SB 158.