

Estimated Medicaid Costs of the Affordable Care Act

Susan Massart

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Estimated Costs of Medicaid Expansion

- The Department of Medical Assistance Services (DMAS) estimated the cost of Medicaid expansion on December 7, 2012, reflecting an expansion start date of January 1, 2014
- DMAS reported in August that the estimates are expected to be revised with implementation scenarios of July 1, 2014 and January 1, 2015
- Includes mandatory costs and options costs of the Affordable Care Act
 - Mandatory costs will be incurred regardless of expansion
 - Optional costs of Medicaid expansion to individuals with incomes up to 138% of the federal poverty level (with income disregards)

Estimated Costs and Savings of the Affordable Care Act for Virginia (\$ in millions)

	FY 2015 - FY 2016	FY 2017 - FY 2022	Annual Cost FY 2022
Mandatory ACA Provisions: Costs – State Funds	\$164	\$806	\$138
Mandatory ACA Provisions: Savings – State Funds	(\$168)	(\$775)	(\$65)
Total Mandatory ACA Provisions: State Funds	(\$3)	\$31	\$73
Total Mandatory ACA Provisions: Federal Funds	\$180	\$720	\$99
Optional ACA Provisions (w/Expansion): Costs—State Funds	\$47	\$1,546	\$391
Optional ACA Provisions (with Expansion): Savings – State Funds	(\$282)	(\$980)	(\$181)
Total Optional ACA Provisions (with Expansion): State Funds	(\$234)	\$566	\$210
Total Optional ACA Provisions (with Expansion): Federal Funds	\$4,637	\$16,938	\$3,210
Net ACA Impact with Optional Expansion – State Funds	(\$238)	\$597	\$283
Net ACA Impact with Optional Expansion – Fed. Funds	\$4,817	\$17,657	\$3,309

Source: DMAS Estimates of ACA Costs and Savings, Presentation to the MIRC, August 19, 2013.

Components of Mandatory Costs/Savings

- **Mandatory ACA costs include:**
 - Coverage for eligible but unenrolled individuals (“Woodwork effect”) including foster care alumni
 - Administrative costs associated with additional enrollment
 - Federal primary care physician rate increase (CY 2013 and CY 2014)
 - Managed Care Organization (MCO) insurance tax
 - 1.9% applied to MCO capitation payments in the current Medicaid program
 - Restoration of lost DSH funds
- **Mandatory ACA savings include:**
 - Rebates on MCO pharmacy expenditures in early years
 - Elimination of public coverage programs
 - FAMIS MOMS (pregnant women 133-200% FPL);
 - Family Planning waiver (133% -200% FPL)
 - Reductions in indigent care payments
 - Children’s Health Insurance Program (CHIP) federal match rate increase
 - 23 percentage point increase effective FY 2016 through FY 2019
 - ACA DSH reduction

ACA Costs to Expand Medicaid

- Medicaid expansion costs include:
 - Coverage of expansion population with current Medicaid services including behavioral health services
 - Declining federal match rate from 100% to 90%
 - Assumption of increased “woodwork” enrollment
 - Administrative costs associated with additional enrollment
 - 1.9% MCO insurance tax
- Medicaid expansion ACA savings include:
 - Reductions in GF appropriations to Dept. of Corrections (inpatient hospital services for prisoners) and Community Services Boards (behavioral health services)
 - Reductions in indigent care payments
 - Coverage of current populations under the expansion
 - Breast and Cervical Cancer program and state-funded Temporary Detention Orders
 - Further elimination of public coverage programs
 - Family Planning waiver (0 - 133% FPL)

Savings to Other State Agencies

- Medicaid costs estimate includes savings to other state agencies
 - Community Services Boards (CSBs) Appropriation Reductions
 - The estimate assumes that 25% of estimated Medicaid spending for Community Behavioral Health Services in the expansion population would supplant direct funding to the CSBs
 - Department of Corrections (DOC)
 - The estimate assumes a transfer of the cost of inpatient hospital services for DOC inmates (100% GF) to DMAS where funding is 100% to 90% federal under a Medicaid expansion
 - Indigent Care Costs
 - The estimate assumes a 50% reduction in indigent care costs at the state teaching hospitals

Population Estimates of ACA Mandatory Provisions and Optional Medicaid Expansion

		Medicaid Expansion	
	Woodwork Population	Newly Eligible Population	Additional Woodwork
Estimated Enrollment as of Jan. 1, 2014	74,996	247,923	7,500
Estimated Average Monthly Enrollment			
FY 2014	45,172	191,174	4,517
FY 2015	78,406	248,795	7,841
FY 2016	80,721	262,401	8,072
FY 2017	83,093	270,112	8,309
FY 2018	85,535	278,051	8,554
FY 2019	88,049	286,223	8,805
FY 2020	90,637	294,634	9,064
FY 2021	93,300	303,293	9,330
FY 2022	96,042	312,206	9,604

Source: DMAS Estimates of ACA Costs and Savings, Presentation to the MIRC, August 19, 2013.