



The Affordable Care Act Ruling: Implications for South Carolina

Summary of the Court's Decision

On June 28, 2012, the Supreme Court issued its decision on the Affordable Care Act (ACA). The Justices found the law largely constitutional with a few notable exceptions.

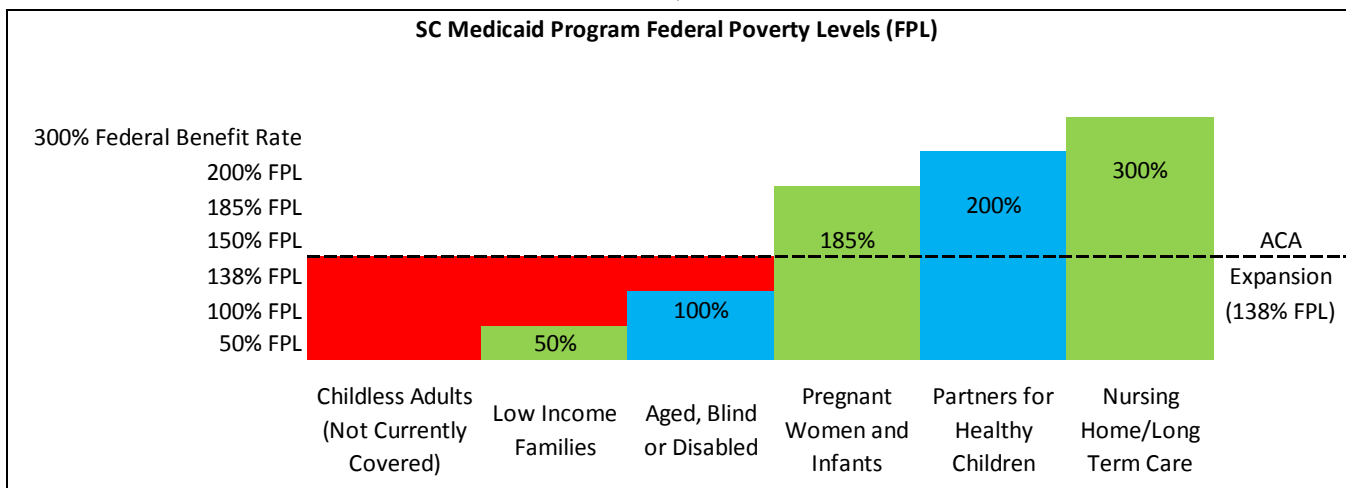
Regarding the individual mandate, a majority of Justices ruled that the shared responsibility payment required of those choosing not to purchase minimal coverage insurance policies is a tax, and that the individual mandate is therefore constitutional under Congress' Taxing Power. The court found that the individual mandate was not permissible under previous interpretations of the Commerce or Necessary and Proper clauses.

The status of ACA's health insurance exchanges was not changed by the Court's decision. The Governor's health planning committee formed last year recommended that South Carolina not set up a state-based exchange, finding that, among other things: states have little meaningful flexibility under the law's concept of "state-based"; exchanges are required to assume many administrative functions now performed by the private insurance market; and most

notably, that the law's primary intent is to create a new system for delivering federal insurance premium subsidies under rules governed by the Internal Revenue Service – a function where the state has no compelling role.

Also, the Supreme Court placed the decision to expand Medicaid back in the hands of state legislatures and governors. The Justices ruled that Congress was unconstitutionally coercing states with the demand to dramatically expand Medicaid or risk losing all Medicaid funding. This expansion must now be approved state-by-state in line with previous expansions that were also optional (such as SCHIP).

The chart below summarizes Medicaid eligibility changes the SC legislature must now contemplate. The green and blue areas in the chart show South Carolina Medicaid's current coverage categories, and the poverty thresholds required for eligibility. The dotted line represents the now optional Medicaid expansion directed by ACA. The red areas represent the population that would be covered by ACA's optional Medicaid expansion.





The charts to the right summarize the actuarial estimates of the enrollment growth and cost of the ACA expansion in South Carolina.

Based on the estimates in these charts, SCDHHS currently projects South Carolina will spend a minimum of about \$1.1 billion state funds between 2014 and 2020 with a maximum expenditure of \$2.4 billion state funds, assuming full enrollment and the necessity to raise reimbursements to Medicare levels. The most likely number is somewhere in between the two. The program will become more expensive on an annual basis past 2020 because the federal match will decrease to its steady state of 90 percent.

We believe that the Court's decision on Medicaid has properly returned the debate to the states. As SCDHHS begins preparing the FY2014 budget, it will work with the legislature to create a budget which is affordable for South Carolina taxpayers while promoting individual access to affordable health care.

Projected Enrollment Growth			
Population	FY 2013	FY 2014	FY 2020
Current Programs			
Medicaid	867,000	880,000	962,000
CHIP	70,000	71,000	78,000
Total Current Programs	937,000	951,000	1,040,000
After Expansion- 71% Average Participation			
Expansion Population			
Parents/Childless Adults		236,000	251,000
Currently Insured Population (Crowd-out)			
Children and Currently Eligible Parents		79,000	84,000
Newly Eligible Parents/Childless Adults		97,000	103,000
Currently Uninsured (Eligible but Unenrolled)			
Children		51,000	55,000
Parents		40,000	43,000
SSI Disable Eligible		7,000	8,000
Total Expansion from ACA Participants		510,000	544,000 *
Total Medicaid Population	937,000	1,461,000	1,584,000
After Affordable Care Act Expansion			

*Full participation will increase enrollment value from 544,000 to 764,000.

Fiscal Impact - SFY 2014 through SFY 2020			
State Budget Dollars (values shown in millions)			
	Baseline		Full
	Participation		Participation
Medicaid Assistance Expansion to 138%			
• Expansion Population	\$	303.8	\$ 376.4
• Crowd-out Population		558.9	844.5
• Eligible but Unenrolled Population		598.4	854.8
SSI Eligible		13.2	13.2
Pharmacy Rebate Savings - MCO		(335.5)	(335.5)
Health Insurer Assessment Fee		101.7	109.8
DSH Payment Reductions		(217.5)	(217.5)
CHIP Program - Enhanced FMAP		(130.2)	(130.2)
Physician Fee Schedule Change		-	-
Administrative Expenses		192.6	271.2
Total	\$	1,085.4	\$ 1,786.7
Additional Sensitivity			
Increase Fee Schedule to 100% Medicare All Physicians and All Services	\$	589.5	\$ 624.2
Total with Sensitivity	\$	1,674.9	\$ 2,410.9

Source: Milliman April 6, 2012 Financial Impact Projections