

# Affordable Care Act: Considerations for SC Medicaid

South Carolina Department of Health and  
Human Services

September 2012

All eligibility, revenue, and expenditure estimates are preliminary projections as of September 2012 and not considered final. Estimates will change as more state and federal data and guidance becomes available.

# Current Status of SC Medicaid

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- FY 2013: 937,000 average monthly enrollment (1.1 million total individuals projected for the year)
- FY 2013: \$1.267 billion State Funds; \$4.064 billion Federal Funds; \$615 million Other Funds; \$5.946 Total Funds
- FY 2013: The Medicaid budget represents 19% of SC's total State Funds
- FY 2013: The Medicaid budget represents 25% of SC's total State, Federal and Other Funds

***South Carolina must control growth in its current Medicaid program, before considering ACA's optional Medicaid expansion***

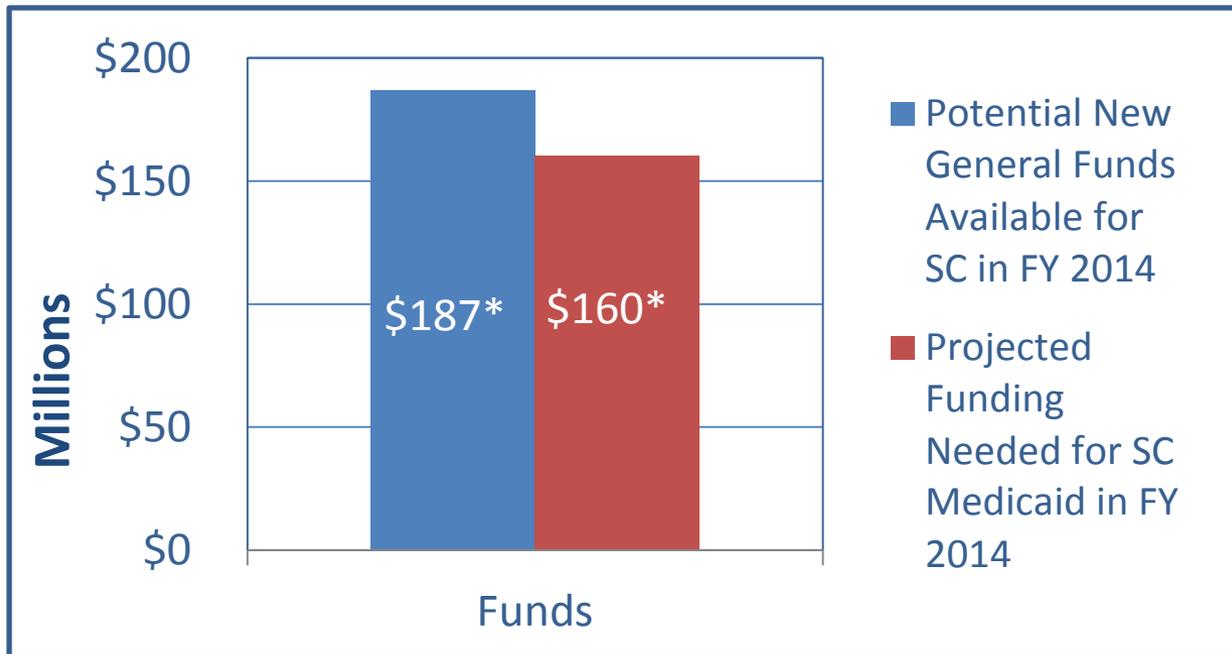
# Even Without ACA's Medicaid Expansion

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## SFY 2014: Medicaid MOE Needs

- \$75 million for inflation and enrollment natural growth
- + \$25 million for “eligible but unenrolled” resulting from ACA
- + \$52 million to supplement reduced cigarette tax funding
- + \$8 million to supplement loss of tobacco deallocation funds

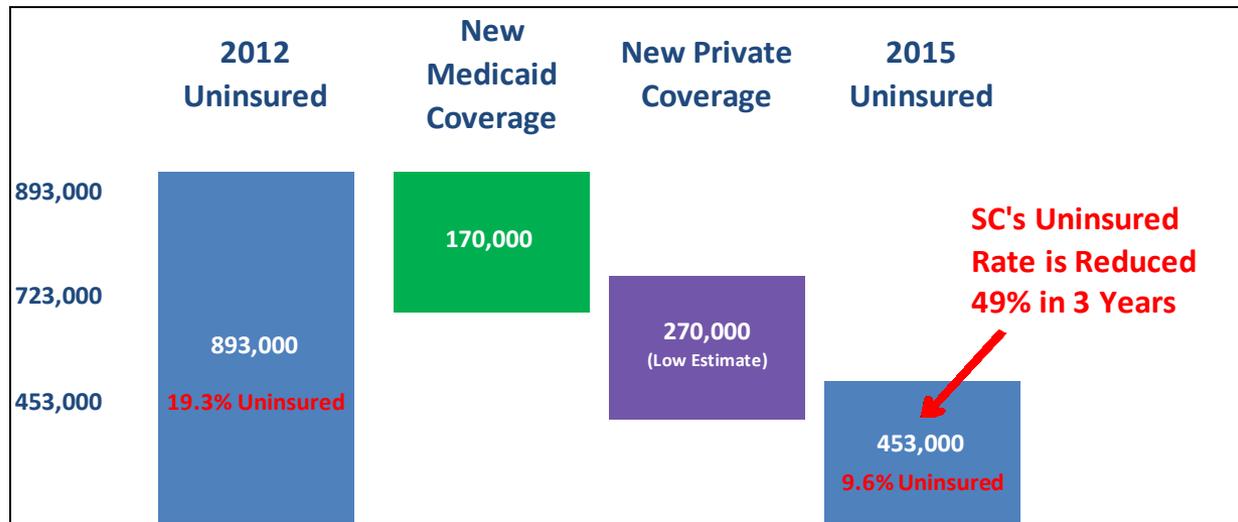
## \$160 million needed for SC Medicaid



*Left unchecked, SC Medicaid's “maintenance of effort” budget could require most of the state's estimated new available General Funds in FY 2014*

**\*Funding estimates are preliminary projections as of September 2012 and not considered final. Estimates will change as more state and federal data and guidance becomes available.**

## Expected Coverage Growth



**SC's Uninsured Rate Goes to at Least 9.6%**

*Even without accepting ACA's optional Medicaid expansion, SC's uninsured rate will be cut in half*

*At least 440,000 citizens will get Medicaid or private coverage*

## Compensating Medicaid Providers

- SC's rate of physician participation in Medicaid is among the nation's highest, due to the state's reimbursement levels
- 2010: U.S. hospitals had highest profit margin (all payers) in at least 12 years
- Supporting SC hospitals to see the uninsured:
  - \$461 million annually through DSH
  - Non-profit hospitals avoid sales, property and income tax to deliver community benefit

***Sufficient Medicaid reimbursement and 440,000 newly insured citizens will support the state's provider network with new revenues***

# Even Without ACA's Medicaid Expansion...

## Purchasing Health; Reducing Waste

- 90% of health and well-being is not the result of health services, but income, education, personal choices, genetics and environment
- 30% of all health care expenditures in the U.S. in 2009 were actually excess costs that contribute nothing to health outcomes

***We can invest in more health services, or we can invest in better health***

***Removing excess costs from the system allows investment in other state priorities***

# Even Without ACA's Medicaid Expansion...

## Pushing Out Excess Costs

<u>Sources of Excess Costs</u>		
<b>30% of All Spending</b>	<b>U.S.</b>	<b>SC Medicaid</b>
Unnecessary Services	\$210 B	\$532 M
Inefficiently Delivered Services	\$130 B	\$335 M
Excess Administrative Costs	\$190 B	\$492 M
Prices That are Too High	\$105 B	\$276 M
Missed Prevention Opportunities	\$ 55 B	\$138 M
Fraud	\$ 75 B	\$197 M
<b>Total</b>	<b>\$765 B</b>	<b>\$1.97 B</b>

*Applying national estimates for cost saving to SC's Medicaid program could save \$1.97 billion total funds*

Institute of Medicine, 2009: One third of U.S. health care spending is excess costs (\$765B in 2009)

Six sources contribute to excess costs in the US health care system

## SC is Reforming Medicaid

- Payment Reform – tying payment to desired outcomes
  - \$24 million in managed care profits at risk in CY 2013 for quality outcomes
  - \$8 million in new payments to providers to become certified medical homes
  - Stopping payment for harmful elective deliveries January 1 in collaboration with BlueCross BlueShield of South Carolina
- Clinical Integration – aligning providers/payers for desired outcomes
  - Example: Greenville Health System/BlueChoice Project
  - Dual-eligibles project to better manage 68,000 persons eligible for both Medicaid and Medicare
- Health “Hot Spot” Initiatives – focusing on state’s urgent needs to improve health
  - Example: Birth Outcomes Initiative
  - Expanding use of “minute clinics” to increase access after hours and reduce ER use

***The state’s medical providers will now earn increased Medicaid revenue for providing value***

***SC Medicaid is focusing on health outcomes and problem areas***

# If South Carolina Expands Medicaid

# If South Carolina Expands Medicaid ...

## Optional Medicaid Expansion Enrollment

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

*187,000 could drop current insurance to go on Medicaid*

*Estimated enrollment increase of 544,000 – 764,000 through FY 2020*

*One third of the state could be on Medicaid in the coming years*

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

Source: Milliman letter to Anthony Keck, Medicaid Director, South Carolina, Department of Health and Human Services, "Affordable Care – Financial Impact SFY 2014 through SFY 2020", Robert M. Damler, FSA, MAAA, April 6, 2012

# If South Carolina Expands Medicaid ...

## SC Optional Medicaid Expansion

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.**

### ACA's Medicaid

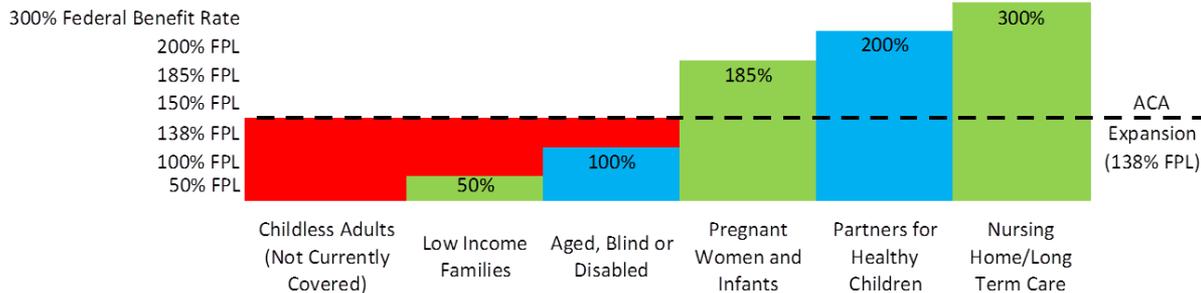
#### Expansion Population:

- **26% are ages 19-24**
- **61% are ages 25 – 54**
- **13% are ages 55-64**

**82% are adults without dependent children**

*(National Estimates)*

SC Medicaid Program Federal Poverty Levels (FPL)



# If South Carolina Expands Medicaid ...

## The Cost of ACA to South Carolina

Fiscal Impact - SFY 2014 through SFY 2020 State Budget Dollars (values shown in millions)		
	Baseline Participation	Full Participation
Medicaid Assistance Expansion to 138%		
Uninsured Expansion Population	\$303.8	\$376.4
Crowd-out Population - Expansion	125.4	221.7
Crowd-out Population - Eligible	433.5	622.6
Eligible but Unenrolled Population	598.4	854.8
SSI Eligible Population	13.2	13.2
MCO Pharmacy Rebate - current enrollee	(335.5)	(335.5)
Health Insurer Assessment Fee	101.7	109.8
DSH Payment Reduction	(217.5)	(217.5)
CHIP Program - Enhanced FMAP	(130.2)	(130.2)
Physician Fee Schedule Change	0.0	0.0
Administrative Expenses	192.6	192.6
<b>Total</b>	<b>\$1,085.4</b>	<b>\$1,786.5</b>
Additional "what-if"		
Increase Fee Schedule to 100% Medicare (all physicians/all services)	\$589.5	\$624.2
<b>Total with Physician Increases</b>	<b>\$1,674.9</b>	<b>\$2,410.7</b>

Source: Milliman letter to Anthony Keck, Medicaid Director, South Carolina, Department of Health and Human Services, "Affordable Care – Financial Impact SFY 2014 through SFY 2020", Robert M. Damler, FSA, MAAA, April 6, 2012

*Medicaid's state spending could increase by \$2.4 billion from FY 2014 through FY 2020*

*Beyond FY 2020, SC Medicaid spending will increase even more – after the initial “teaser” federal match rate disappears*

## Health Coverage ≠ Health Care

- New privately insured citizens will compete with new Medicaid recipients for primary care; Medicaid/private rates will increase
- Already one-third of U.S. doctors claim they will not take new Medicaid patients
- Wait times will increase for everyone

***SC's health system is not ready to absorb three-quarters of a million new people in 2014***

***Serious shortages exist in primary care, mental health and substance abuse delivery***

## Will SC Look Like Other States?

- **Illinois**: \$44 billion state shortfall; \$1.6 billion Medicaid deficit; months behind in Medicaid provider payments
- **California**: 10% Medicaid rate cuts in 2011; pending provider lawsuits regarding rate cuts; \$6 billion in proposed tax increase
- **Massachusetts**:
  - 2006: State passes universal coverage law
  - 2012: State passes bill to implement public and private health care price controls
  - Massachusetts' per capita health spending is 15% higher than other states

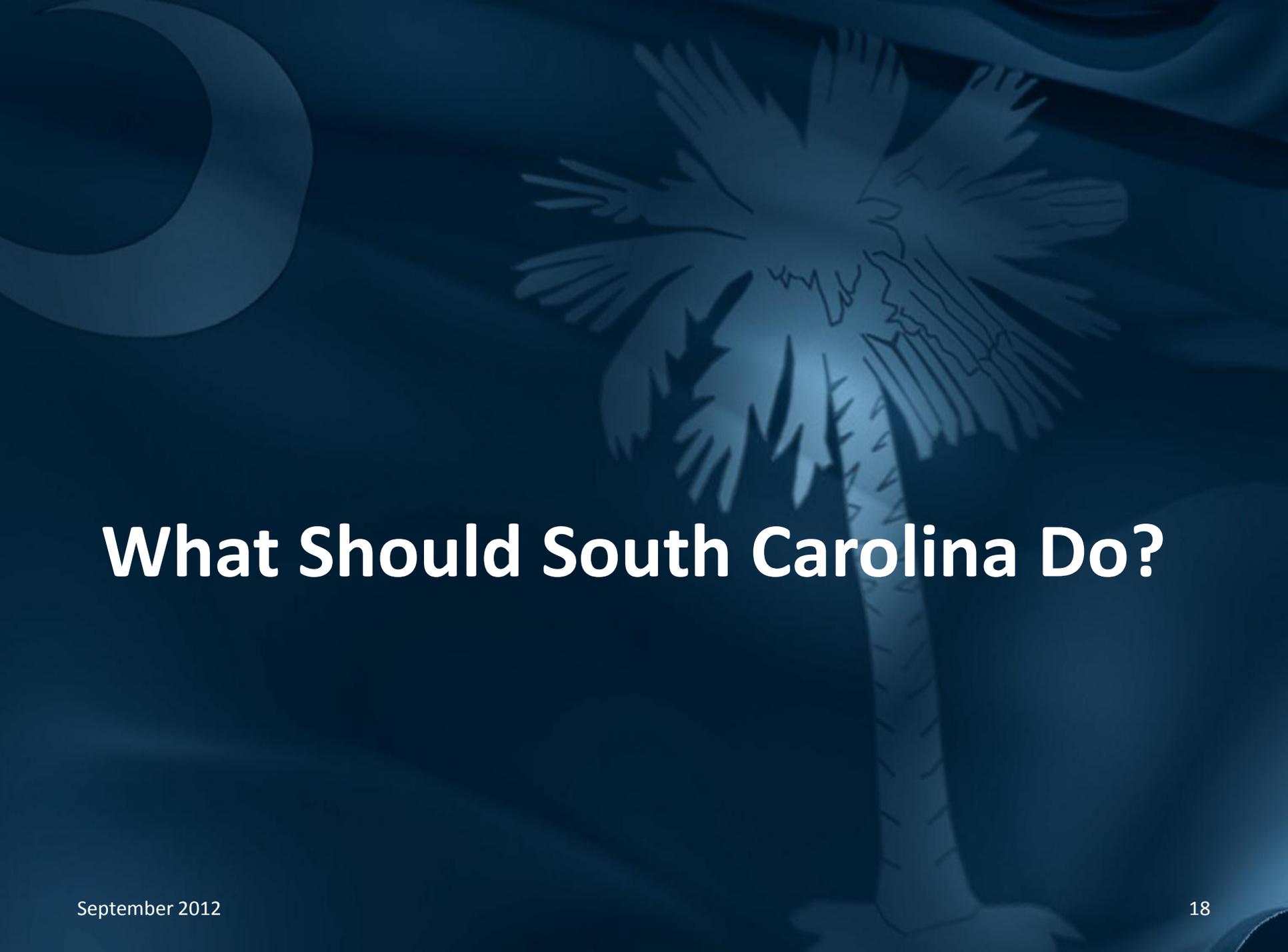
*These  
cash-strapped states  
intend to expand  
Medicaid under ACA*

*But can they afford  
their currently  
generous programs?*

## Federal Fiscal Pressure: Effect on States

- 2013: Federal deficit to reach \$1 trillion for fifth straight year
- Various Federal proposals recommend changing Medicaid FMAP formula to increase states' contributions
- CBO: Cost of ACA can be reduced \$84 billion now that some states may not expand Medicaid (2012-2022)

***By expanding Medicaid, SC would be complicit in extending the U.S. debt while being exposed to fiscal uncertainty and liability***

The background features a dark blue gradient with a stylized, light blue illustration of a palm tree in the center and a crescent moon in the upper left corner. The palm tree has a textured trunk and a large, fan-like canopy. The crescent moon is simple and light blue.

# What Should South Carolina Do?

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## Strategies to Manage SC Medicaid Costs and Improve Quality

- Reduce Medicaid per-member costs through payment reform, clinical integration and targeting health “hot spots”
- Reduce Medicaid’s demand on State Funds
- Invest in priority, targeted programs with proven health outcomes
- Seek Federal flexibility to re-design the Medicaid program

***The state should fix health care before putting more money into a broken system***

***Enrollment growth must be managed***

