Presentation on Medicaid Expansion

by

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House Health and Human Services Committee
March 19, 2015

Current KanCare Beneficiaries

- Children
- Pregnant Women (up to 400% federal poverty level, or FPL)
- Individuals with disabilities (physical, intellectual, developmental)
- Technology assisted children
- Kids with autism
- Frail elderly
- Individuals with traumatic brain injury
- Individuals with severe emotional disturbance
- Individuals with breast and cervical cancer
- Individuals with tuberculosis
- Individuals with HIV and AIDS
- Able-bodied parents and caretakers under 38% FPL

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Newly Eligible Population

- Able-bodied, low income adults between 0 and 138% FPL

Actuarial Assumptions

- 0.5% population growth among all populations
- 3.0% cost growth
- 75.0% uptake on newly eligible population in 2016, increasing to 98.0% by 2025
- Federal Medical Assistance Percentage starts at 100% and never goes below 90%
- Only 35% of those that would qualify for KanCare and have employer sponsored insurance are dropped and convert to KanCare
- Based on a January 1, 2016 implementation date

Caring for Individuals with Disabilities

- Caring for individuals with disabilities is the highest priority

- Since the inception of KanCare, 2,600 individuals from the waiting lists have been offered services
  - Total cost of $64.8 million

- Currently waiting for services are:
  - 3,088 individuals with intellectual and developmental disabilities
  - 2,536 individuals with physical disabilities
  - 230 children with autism

Waiting List Elimination

- Eliminating the waiting lists will cost $2.60 billion from 2016 to 2025, including $1.15 billion in state funds
- Kansas' share is $97.6 million in 2016, increasing to $133.2 million by 2025
- This population does not qualify for enhanced match, will be matched at 56/44
- Estimates do not include additional woodwork effect, including any increases from in-migration

KanCare Newly Eligible

- Newly eligible population includes 157,469 able-bodied adults by 2025
- 100% federal match ends 12/31/2016
- $771.4 million in state funds needed for first 10 years
- In 2016 average per member per month cost is $467.09, increasing to $609.44 by 2025

KanCare ACA Woodwork

- Woodwork effect of ACA increases Medicaid enrollment by another 36,085
- $455.2 million in state costs over 10 years for woodwork population
- This population does not qualify for enhanced match, will be matched at 56/44

Total Costs of ACA/Expansion

- $13.2 billion in total costs between 2016-2025
  - These costs include woodwork effect, newly eligible able-bodied adults, and providing all essential services to individuals with disabilities

- $2.4 billion in additional costs to Kansas for these populations over the 10 year period
  - $125.6 million in calendar year 2016
  - $307.5 million by calendar year 2025

Populations

- Currently there are roughly 1 in 7 Kansans on KanCare
- Assuming expansion, by 2017 that number would be roughly 1 in 5.
- Newly eligible population in 2017 represents 45.7% of uninsured adults in Kansas

Challenges to Providers

- Increases total KanCare population by 45.5%
- Fees for Medicaid Services are much lower than other payers
  - For the ten most frequent billing codes KanCare pays, on average:
    - 71.3% of Medicare maximum allowed
    - 44.0% of the State Employee Health Plan
    - 40.9% of private pay insurance

Medical Workforce Impact

- KHA's Regional Economic Models Inc. study identifies 2,426 new health facility jobs as a result of expansion
- Kansas already has medical staffing concerns
  - 92 counties are already designated as shortage areas for primary care
  - 100 counties are already designated as shortage areas for mental health
  - Kansas already needs an additional 3,827 nurses
  - Kansas ranks 37th in the percent of physicians retained in state from GME programs

Supplemental Hospital Payments

$319.2 million all funds in calendar year 2014

- Rate adjustment for hospitals - $123.0 million
  - 25.8% above regular fee, funded through provider assessment
- Disproportionate Share Hospital - $79.9 million
  - Payments made to hospitals that have a disproportionate share of uninsured patients
- Health Care Access Improvement Program - $41.0 million
  - Payments made to hospitals based on their uncompensated care costs, funded through provider assessment

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Supplemental Hospital Payments

- Large Public Teaching Hospital/Border City Children's Hospital - $39.9 million
  - Payments to KU Hospital and Children's Mercy
- Graduate Medical Education -$15.0 million
  - Payments made to hospitals that have a residency program
- Supplemental Medical Education - $11.6 million
  - Payments to KU for teaching physician time designed to offset lost wages due to teaching rather than practicing
- Critical Access Hospital Adjustment Factor - $8.8 million
  - Rate adjustment added on to each claim

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Hospital Impact

- In 2016, the costs of the newly eligible population would be $645 million, $250 million of that would go to hospitals, and would be distributed as follows:

All Hospitals	$250 million
• *Top 2 Hospitals*	*$63 million*
• *Hospitals 3-10*	*$62 million*
• *Other Non-CAH Hospitals*	*$106 million*
• *Critical Access Hospitals*	*$19 million*

Additional Administrative Costs

- Current administrative costs are approximately 6% of Medicaid spend
  - Staff needed to administer the program and provide effective program oversight; projecting between 40 and 60 new employees would be needed assuming simple implementation
  - Contractual costs for eligibility determinations
  - Contractual costs for implementation

Expansion Issues

- We need to encourage independence in the system, not remove incentives to achievement
- No state has been approved with a Work program as part of the expansion package
- State will be in the middle of renegotiating KanCare with MCOs, CMS, providers, and patients; in addition to being in the process of implementing a new Clearinghouse and a new Medicaid Management Information System
- A number of recent CMS policy changes support cost shifting to the states

What If

- If the federal government rolls back to regular FMAP in 2018?
  - increases Kansas' costs by $319.1 million in 2018, increasing to $391.6 million by 2025
  - $2.75 billion in additional state funds by 2025 at regular FMAP

Other Issues

- If our assumptions are off, even slightly, it can have major consequences
  - Each additional 0.5% in population growth above assumptions would increase the Kansas share of costs by an additional $89.8 million over the 10 year period

- We do not know this population
  - Could be a much higher percentage of high-cost individuals than is being predicted
  - Very little comparable data

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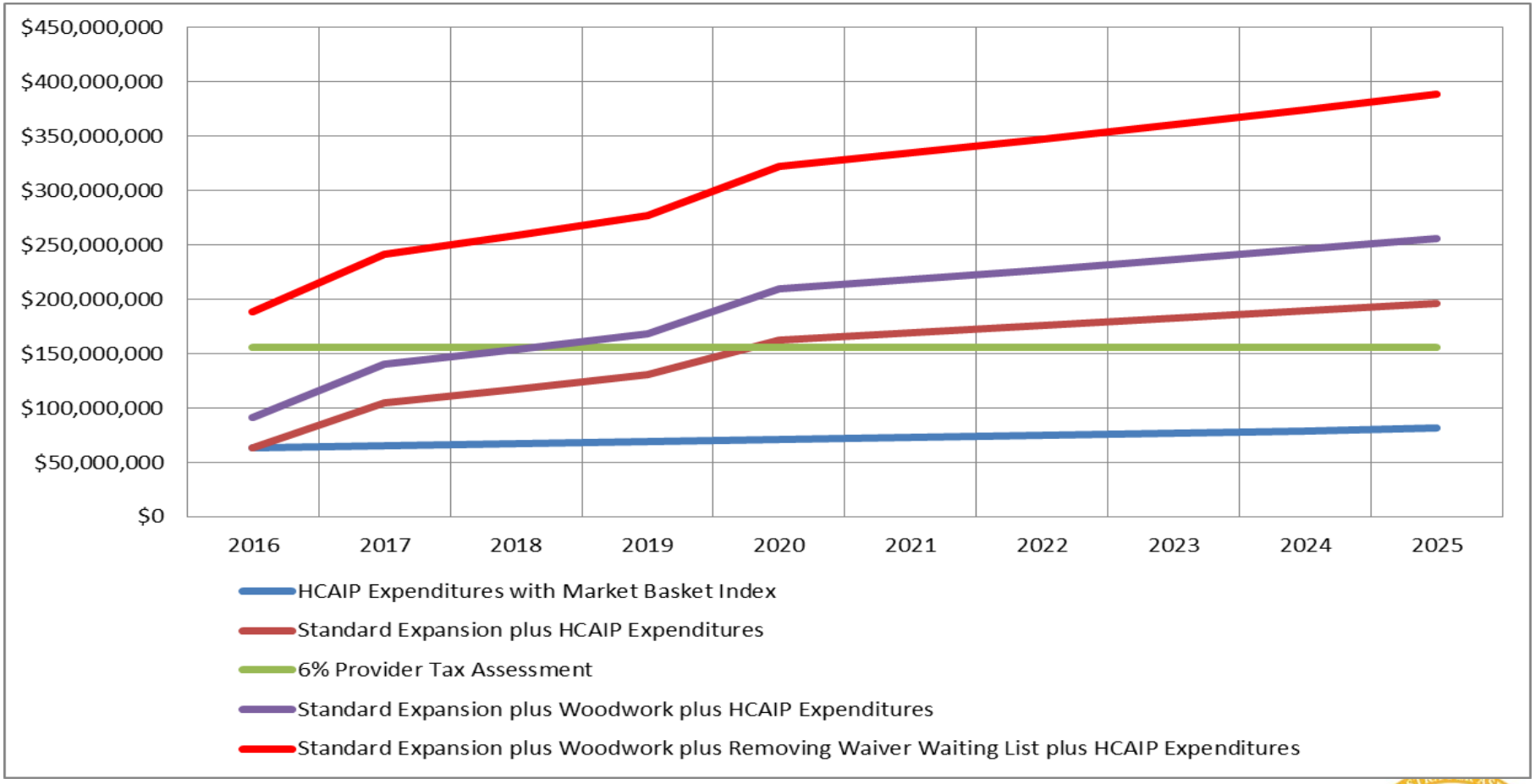
Expenses vs Revenue



A Kansas-Based Solution

- Take care of our individuals with disabilities first
- Be fiscally sustainable
- Reflect Kansas Values, e.g. provide pathways to independence