



**The Hilltop Institute**

*analysis to advance the health of vulnerable populations*

# **State Fiscal Implications of Federal Health Reform**

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December 9, 2010

Michael Nolin

NCSL Fiscal Leaders Seminar

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**MARYLAND** Health Care Reform Coordinating Council

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- PUBLIC NOTICE: Council to Convene Public Meetings Throughout State 11.16.10
- Health Care Reform Coordinating Council Convenes Seventh Meeting 11.16.10
- Lt. Governor Brown Announces \$1 Million Grant For Health Insurance Exchange 10.1.10
- Lt. Governor Brown Applauds New Health Care Reform Benefits 9.23.10
- Lt. Governor Brown, Rep. Sarbanes Announce Launch of MHIP Federal 9.1.10

**Maryland's Health Care Reform Coordinating Council**

All Marylanders should have access to affordable health care, but for thousands of our neighbors this opportunity has been out of reach for far too long. The passage of federal health care reform provides Maryland an opportunity to advance reforms that have eluded our country for generations and improve the health and well-being of all Marylanders.

# HCRCC Council Workgroups Page

The screenshot shows the official website of the Maryland Health Care Reform Coordinating Council. The header features the Maryland state seal and the text "MARYLAND Health Care Reform Coordinating Council". Navigation links include "HOME", "WEB RESOURCES", "GET INVOLVED", and "COUNCIL WORKGROUPS". A sidebar on the left lists "THE COUNCIL" with links to "About Us", "Meetings", "Interim Report", and "Executive Order". Below this are links to "HealthCare.gov", "HealthCare.gov En Español", "Health Reform and You", and the "Maryland Department of Health and Mental Hygiene". The main content area is titled "Council Workgroups" and contains a paragraph explaining the council's focus on six key areas. It also provides a link to a master schedule of meetings. Two workgroups are highlighted: "Exchange and Insurance Markets Workgroup" and "Entry into Coverage Workgroup", each with a list of co-chairs, staff, and a link to their final report to the council.

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### Council Workgroups

The Council has identified six areas that require the focus of a workgroup because of their central importance to reform and the need to meet implementation timeframes. These subject matter areas involve complex issues with significant and transformative potential that are best discussed and vetted through the workgroup process. They go beyond any reform initiatives already underway, and they also affect other cross-cutting implementation issues that will require input and collaboration among different agencies and branches of government. Council members or state government designees will lead the workgroups and promote active participation from members of the general public. Individuals are encouraged to attend and participate in discussions.

A master schedule with the dates, times and locations of Council meetings and individual workgroup meetings can be found [here](#).

Click on each workgroup title below for more information, including upcoming workgroup meetings.

#### Exchange and Insurance Markets Workgroup

**Co-chairs:** Beth Sammis, Acting Commissioner, Maryland Insurance Administration;  
Rex Cowdry, Executive Director, Maryland Health Care Commission  
**Staff:** Chuck Milligan  
[Workgroup Final Report to Council](#)

#### Entry into Coverage Workgroup

**Co-chairs:** John Folkemer, Deputy Secretary, Department of Health and Mental Hygiene - Medicaid;  
Brian Wilbon, Acting Secretary, Department of Human Resources  
**Staff:** Alice Burton  
[Workgroup Final Report to Council](#)

# Financial Modeling Tool: Costs

Analysis excludes baseline programs that predated Health Reform and were not altered by Health Reform (State funds only, midpoint of range, in millions)												RANGE	
I. Required Elements	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	TOTAL	LOW	HIGH
<b>A. Increased Costs</b>													
1. Medicaid Coverage Expansion	\$0	\$0	\$0	-\$42	-\$98	-\$109	\$3	\$68	\$105	\$198	\$126	\$95	\$158
2. Medicaid "Woodwork" Effect	\$0	\$0	\$0	\$12	\$72	\$96	\$111	\$116	\$122	\$127	\$657	\$493	\$822
3. Medicaid and MCHP Admin	\$0	\$10	\$15	\$34	\$68	\$74	\$78	\$81	\$85	\$88	\$533	\$399	\$666
4. Reduction in Supplemental Rx rebate	\$14	\$14	\$15	\$15	\$14	\$15	\$16	\$19	\$21	\$25	\$167	\$125	\$208
5. Reduction in Medicaid DSH	\$0	\$0	\$0	\$0	\$9	\$10	\$11	\$12	\$12	\$13	\$67	\$50	\$84
6. State Exchange Admin necessary/permitted by law	\$0	\$0	\$0	\$13	\$13	\$13	\$13	\$13	\$13	\$13	\$91	\$68	\$114
7. State Employees/Retirees Health Ins.	-\$14	-\$4	\$9	\$11	\$20	\$21	\$22	\$27	\$30	\$33	\$155	\$116	\$194
8. Admin costs (non-DHMH agencies, outreach, etc.)	\$3	\$3	\$4	\$4	\$4	\$4	\$4	\$4	\$3	\$3	\$36	\$27	\$45
9. Transfer of 6-19 yo (100%-133% FPL): XXI to XIX	\$0	\$0	\$0	\$1	\$3	\$3	\$3	\$3	\$4	\$4	\$21	\$16	\$27
<b>Overall Category Total</b>	<b>\$3</b>	<b>\$23</b>	<b>\$43</b>	<b>\$49</b>	<b>\$105</b>	<b>\$127</b>	<b>\$262</b>	<b>\$344</b>	<b>\$395</b>	<b>\$504</b>	<b>\$1,853</b>	<b>\$1,390</b>	<b>\$2,317</b>

# Medicaid Coverage Expansion

- Medicaid and PAC (PAC savings with 100% FFP)
- Population projections by age groups, disability, and FPL status annually through 2020
- Linked MD FPL to unemployment rate and as a function of National unemployment
- Estimates of projected pop between 116 and 134% of the FPL
- Factored by: U.S. citizenship (88%) and take-up rate (90% and 70%)
- Trended per capita costs by age group (disabled/non) for each FY-  
National Health Expenditure Projections - Medical Price Deflator

1. Medicaid Coverage Expansion	\$0	\$0	\$0	-\$42	-\$98	-\$109	\$3	\$68	\$105	\$198	\$126
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# Medicaid Woodwork Effect

- Eligible but not enrolled – costs using same methodology
- KFF Report – sizing the woodwork population: two scenarios
- Midpoint used by MD is at 75<sup>th</sup> percentile between “high” and “low”
- Woodwork enrollment of 33K by 2017 (full ramp up)
- Based on enrollment mix and annual per capita costs resulting in \$657M consistent with KFF projections at 75<sup>th</sup> percentile

2. Medicaid "Woodwork" Effect	\$0	\$0	\$0	\$12	\$72	\$96	\$111	\$116	\$122	\$127	\$657
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# Medicaid/MCHP Admin

- Added expenditure of Medicaid/PAC expansion x 5% (historic overhead)
- Finances outreach, eligibility determinations, enrollment, and oversight activities
- Extra \$30M (state \$) through 2014 for added eligibility system improvements
- Grants for infrastructure development not included
- \$533M is the midpoint cost on the spreadsheet

3. Medicaid and MCHP Admin	\$0	\$10	\$15	\$34	\$68	\$74	\$78	\$81	\$85	\$88	\$533
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# State Employees/ Retirement Insurance

- New savings and costs related to state as employer and retiree insurance provider
- Early retirement reinsurance, comparative effectiveness tax, expanded dependent coverage, contractual employees insurance costs, tax on high-cost health plans, admin costs, etc.
- \$155M as midpoint costs from 2011 to 2020

7. State Employees/Retirees Health Ins.	-\$14	-\$4	\$9	\$11	\$20	\$21	\$22	\$27	\$30	\$33	\$155
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# Financial Modeling Tool: Savings

Analysis excludes baseline programs that predated Health Reform and were not altered by Health Reform (State funds only, midpoint of range, in millions)												RANGE	
I. Required Elements	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	TOTAL	LOW	HIGH
<b>B. Programmatic Savings</b>													
1. Enhanced Title XXI match rate	\$0	\$0	\$0	\$0	\$0	-\$46	-\$63	-\$65	-\$68	-\$70	-\$311	-\$233	-\$389
2. Hospital assessment: MHIP-Related	\$0	\$0	\$0	-\$70	-\$147	-\$154	-\$160	-\$167	-\$174	-\$182	-\$1,055	-\$791	-\$1,319
3. Rate Stabilization Offset: 100% Medicaid PCP	\$0	\$0	-\$11	-\$22	-\$11	\$0	\$0	\$0	\$0	\$0	-\$43	-\$33	-\$54
4. Medicaid: Rx rebates extended to MCO	-\$17	-\$18	-\$19	-\$20	-\$22	-\$23	-\$25	-\$27	-\$30	-\$32	-\$232	-\$174	-\$291
5. Medicaid: Breast&Cervical converts to ins.	\$0	\$0	\$0	-\$2	-\$4	-\$4	-\$4	-\$4	-\$4	-\$4	-\$26	-\$20	-\$33
6. Reductions in state-only programs/grants	\$0	\$0	\$0	-\$33	-\$65	-\$65	-\$65	-\$65	-\$65	-\$65	-\$423	-\$317	-\$529
7. Seniors Prescript Drug Assist (SPDAP)	\$0	-\$1	-\$1	-\$1	-\$1	-\$1	-\$2	-\$2	-\$2	-\$3	-\$15	-\$11	-\$18
<b>Overall Category Total</b>	<b>-\$18</b>	<b>-\$19</b>	<b>-\$30</b>	<b>-\$148</b>	<b>-\$250</b>	<b>-\$293</b>	<b>-\$319</b>	<b>-\$330</b>	<b>-\$343</b>	<b>-\$356</b>	<b>-\$2,106</b>	<b>-\$1,579</b>	<b>-\$2,632</b>

# Enhanced Match Rate

- Decline in MCHP enrollment with recession; stable after recovery @ 100K
- 23% increase in match rate beginning 2016 thru 2019 (2016 rate = difference in state/fed FYs)
- \$311M = midpoint savings on spreadsheet

1. Enhanced Title XXI match rate	\$0	\$0	\$0	\$0	\$0	-\$46	-\$63	-\$65	-\$68	-\$70	-\$311
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# Hospital Assessment/MHIP

- Maryland Health Insurance Program – high-risk health insurance pool
- Funding = premiums + 1% assessment on hospital revenues
- Under health exchanges, insurance available without underwriting
- Hospital-projected revenues by year x 1% = midpoint savings on spreadsheet

2. Hospital assessment: MHIP-Related	\$0	\$0	\$0	-\$70	-\$147	-\$154	-\$160	-\$167	-\$174	-\$182	-\$1,055
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# Reductions in State-Only Programs/Grants

- Expanded coverage under reform increases private sector coverage of safety net services
- 50% reduction in funding for: public health breast cancer screening, tobacco screening and tx, mental health and alcohol abuse admin
- \$423M midpoint savings through 2020

6. Reductions in state-only programs/grants	\$0	\$0	\$0	-\$33	-\$65	-\$65	-\$65	-\$65	-\$65	-\$65	-\$65	-\$423
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# New Revenue

- Insurance premium assessment (2%) revenues from new Medicaid enrollees in private MCOs and newly covered individuals through health exchanges
- Midpoint total on spreadsheet for both profit/nonprofit = \$576M

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I. Required Elements	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	TOTAL	LOW	HIGH
<b>C. New Revenue</b>													
1. Insurance Premium Assessment: for Profit Carriers	\$0	\$0	\$0	-\$28	-\$65	-\$71	-\$75	-\$78	-\$82	-\$86	-\$486	-\$364	-\$607
2. Premium Assessment Equiv.: Nonprofit Carriers	\$0	\$0	\$0	-\$5	-\$12	-\$13	-\$14	-\$15	-\$15	-\$16	-\$90	-\$68	-\$113
Overall Category Total	\$0	\$0	\$0	-\$34	-\$77	-\$84	-\$89	-\$93	-\$98	-\$102	-\$576	-\$432	-\$720

# Financial Modeling Tool

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<b>Overall Category Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>-\$34</b>	<b>-\$77</b>	<b>-\$84</b>	<b>-\$89</b>	<b>-\$93</b>	<b>-\$98</b>	<b>-\$102</b>	<b>-\$576</b>	<b>-\$432</b>	<b>-\$720</b>
<b>TOTAL</b>	<b>-\$15</b>	<b>\$4</b>	<b>\$12</b>	<b>-\$133</b>	<b>-\$222</b>	<b>-\$250</b>	<b>-\$145</b>	<b>-\$80</b>	<b>-\$46</b>	<b>\$46</b>	<b>-\$829</b>	<b>-\$621</b>	<b>-\$1,036</b>

# Additional Takeaways

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- Savings do not = surplus
- Beyond 2020
- Unique state characteristics
- System dynamics

# About The Hilltop Institute

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The Hilltop Institute at the University of Maryland, Baltimore County (UMBC) is a nationally recognized research center dedicated to improving the health and wellbeing of vulnerable populations. Hilltop conducts research, analysis, and evaluations on behalf of government agencies, foundations, and nonprofit organizations at the national, state, and local levels.

[www.hilltopinstitute.org](http://www.hilltopinstitute.org)



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