

MONEY & MEDICAID: State report examines savings if Idaho were to expand Medicaid

A state-commissioned actuarial study examining the potential costs and savings of Medicaid expansion, should Idaho voters approve it in November, concluded that there could be big savings for state and local taxpayers, even if an estimated 91,000 Idahoans sign on to Medicaid — well beyond the current estimates of the 62,000 who fall into a coverage gap.

The reason: Six state and local programs currently pay for services for the Idahoans who would newly qualify for Medicaid under the expansion, all with state and local funds.

Ninety percent of the costs of Medicaid expansion will be covered by the federal government. So those state and local programs would see big drops in their costs, ranging from a minimum of \$10 million in the first six months the initiative would take effect, to a high of nearly \$635 million over 10 years.

With state costs of \$529.6 million over 10 years to expand Medicaid, that means Idaho could come out ahead. Or, depending on how the state handles some of its existing programs, the state could incur a relatively small cost of \$10.5 million a year, or \$105.1 million over a decade. The federal government would spend \$4.7 billion over that same period.

The six programs:

■ Idaho's Catastrophic Health Care fund, also known as the CAT fund; and local county medical indigency programs, which together cover the catastrophic medical bills of Idahoans who can't pay. Now funded by state general fund tax dollars and local property taxes, the two programs cost a total of \$29.4 million in 2017, including \$12.4 million from the state and \$17 million from county taxpayers. Next year, without Medicaid expansion, the state portion alone is projected to swell to \$21 million. Projected savings over the next 10 years if Medicaid expands: \$210.4 million if the programs remain in place but see 50 percent cost savings; \$420.8 million if they're eliminated.

■ Substance Use Disorder Services for probationers and parolees and hospitalizations for prison inmates, both now paid for by the Idaho Department of Correction. Expanding Medicaid would make those offenders Medicaid-eligible, which is projected to save the state \$80 million over 10 years, including \$51 million from SUDS and \$29 million from hospitalization.

■ Behavioral health services and mental health services provided through the Idaho Department of Health and Welfare. If those patients were Medicaid-eligible, the state would save an estimated \$85.2 million over 10 years on behavioral health and \$48.9 million on mental health services, or \$134.1 million between the two programs.

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by Betsy Z. Russell

Page 2 of 4

Added together, those savings come to \$634.9 million if the CAT program is eliminated, or \$424.5 million if it remains but sees 50 percent savings.

“This is really our best source of information about the financial impact,” said Niki Forbing-Orr, Health and Welfare spokeswoman. The study was performed by Milliman, a leading actuarial consulting firm that started in the Northwest and now is worldwide; it’s the same firm that has developed previous projections for the state.

“I think that department leadership just wanted to make sure that as this ballot initiative was apparently gaining steam, that there was accurate information out there to help inform voters as they go to the polls,” Forbing-Orr said.

Unlike past studies Milliman has performed for Idaho, the report assumes for its main calculations that the CAT fund and county indigency programs wouldn’t be completely eliminated if Idaho expanded Medicaid, but instead would see their costs drop by 50 percent. That’s because the department indicated it would take changes in current state law to fully eliminate the programs, the report says.

Forbing-Orr said now that the federal government has waived the individual mandate — the requirement that people buy health insurance or face a penalty — it’s possible that some who could get coverage still will choose not to, and end up turning to the CAT fund.

With that assumption, the report estimates the full net cost of Medicaid expansion for Idaho at \$105.1 million over 10 years — an average of \$10.5 million a year, compared to a total state budget of \$3.7 billion a year. That would mean 91,000 more Idahoans would have health coverage at a cost of about \$117 per person annually.

If the CAT fund and medical indigency programs were eliminated, rather than cut in half, Milliman found, the net impact of Medicaid expansion in Idaho would be a savings over 10 years of \$150 million. That’s an average savings of \$15 million per year, and Idahoans actually would save money while expanding that coverage.

“I think they’re a little bit conservative in terms of the estimates of the savings,” said Lauren Necochea, director of the Idaho Center for Fiscal Policy, “which I think is a fine place to be. You don’t want to count on savings that aren’t going to materialize.”

Necochea’s organization analyzed the new Milliman report, and concluded that Medicaid expansion would be a net plus for Idaho. In addition to the savings if the CAT and indigency programs were eliminated, the Milliman report notes that it doesn’t factor in any economic ripple effect from the employment of more people in the health care industry in Idaho if Medicaid expanded.

“That’s a significant amount of money to bring back to our economy,” Necochea said. She cited a projection developed by a University of Idaho economist, which, adjusted to the new figures in the Milliman report, would suggest an economic multiplier effect of plus-\$20 million a year in Idaho’s economy.

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Page 3 of 4

Expanding Medicaid, as 32 states have chosen to do under the Affordable Care Act, would close Idaho's current health coverage gap, in which an estimated 62,000 Idahoans make too much to qualify for Medicaid, but not enough to qualify for subsidized insurance through the state insurance exchange. To qualify for the exchange, Idahoans must make more than 100 percent of the federal poverty level.

Idaho lawmakers have considered Medicaid expansion or some other way to close the coverage gap each year for the past six years, but nothing has passed.

The Milliman report estimated the gap population at just 59,000 in 2020, as the state's economy continues to improve. But it also estimated that others who aren't necessarily in the gap would qualify for the expanded Medicaid program. That's partly because Medicaid expansion covers people who make up to 138 percent of the federal poverty level — so some who currently are on the exchange might switch to Medicaid for lower costs, and some who currently fall into that income category but don't qualify for exchange coverage because they have employer coverage available also could choose Medicaid instead.

Based on the experiences of other states that saw higher than projected enrollments when they expanded Medicaid, Milliman estimated that 32,000 people in those groups could qualify to enroll in Idaho's expanded Medicaid, pushing the total new enrollment up to 91,000. That assumes that everyone who qualifies will enroll; it also accounts for anticipated population growth. The firm's models, for calculation purposes, assume all 91,000 would enroll in the first year, though the report notes that enrollment could grow more gradually.

Necochea said she thought the 91,000 enrollment estimate was a good one for total eligibility. "We have to remember, not everyone is going to show up," she said. "It's a conservative approach, in terms of giving a high estimate, giving something on kind of the upper end. ... Because that's where problems could arise."

The Milliman report also notes that unlike previous Medicaid expansion proposals in Idaho, including the "Healthy Idaho Plan" bill that was introduced in the Legislature in 2016 by then-Sen. Dan Schmidt and endorsed by a study committee appointed by Gov. Butch Otter, the initiative wouldn't require changes to the Medicaid program, so it has few administrative costs.

The "Healthy Idaho" bill incorporated a shift to a managed-care approach and various accountability measures, which carried a \$10 million price tag for administrative costs. It would have kept Idahoans who made more than 100 percent of the federal poverty level in the state exchange, while covering those under 100 percent through Medicaid.

The Milliman projections, based on the experience of comparable states that have expanded Medicaid, also build in a "duration factor," assuming that because of pent-up demand for health care, newly insured clients in the expanded Medicaid program would have higher claim costs for their first three years, before declining to normal rates after that.

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Necochea said, “The savings are still available. And it’s a question about where we want to put our public dollars. Right now we’re putting our public dollars into emergency care, versus any sort of prevention. And it’s also a question of do we want to leverage the federal dollars that we could bring back to Idaho? Do we want to take advantage of those dollars or not?”

Dollars and Medicaid expansion

According to a new state-commissioned actuarial report, expanding Medicaid in Idaho would:

- Cover up to 91,000 people
- Cost either \$117 per person per year, if the state’s current catastrophic fund and medical indigency program were left in place; or, if those programs were eliminated, come at a savings to state and local taxpayers of \$15 million a year, \$150 million over 10 years.

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