



Presentation on Medicaid Expansion

Susan Mosier, MD, MBA, FACS
Secretary, Kansas Department of Health and Environment

House Health and Human Services Committee
February 9, 2017

Current KanCare Beneficiaries

- Children
- Pregnant Women
- 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
- Parents and caretakers under 38% FPL

Newly Eligible Population

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

Our First Priority: Caring for Individuals with Disabilities

- Caring for individuals with disabilities is the highest priority
- Since the inception of KanCare, 5511 individuals from the waiting lists have been offered service
- Currently waiting for services are:
 - 3,550 individuals with intellectual and developmental disabilities
 - 822 individuals with physical disabilities

Our First Priority, continued: Waiting List Elimination

- Eliminating the waiting lists cost \$1.40 billion from 2018 to 2025, including \$629 million in state funds
- Kansas' share is \$70 million in 2018, increasing to \$89 million by 2025
- This population does not qualify for enhanced match, will be matched at approximately 55/45

Our Second Priority: Long Term Fiscal Sustainability

- The Kansas Health Institute (KHI), estimates state costs would be \$729.7 million over seven years. \$1.1 billion in state costs over ten years. Source: Kansas Health Institute - ACA Medicaid Expansion: Enrollment and Cost Estimates for Kansas Policymakers
- Over \$211 million increase from KHI's projections in the 2012 report.
- Aon Hewitt study estimates that Medicaid expansion in Kansas would cost the state more than \$1.2 billion dollars in State General Fund (SGF) dollars from CY2016-CY2025. Source: Aon Hewitt Analysis updated in 2015

Our Third Priority: Reflecting Kansas Values

- Provide able-bodied adults in Kansas a pathway to independence including:
 - Job training and work requirements
 - Portable health savings accounts or similar instruments
- Work program incentives help to break the cycle of intergenerational poverty

Expansion Issues

- Uncertainty of future of the Affordable Care Act (ACA)
- Uncertainty of Federal Financial Participation for Medicaid expansion in the future
- Uncertainty of costs of Medicaid expansion
- Uncertainty of Medicaid expansion enrollment
- Effect of Medicaid expansion on rural Kansas hospitals
- Economic impact of Medicaid expansion
- Prioritization of state resources

Uncertainty of the ACA

Multiple Repeal and Replace Proposals, including:

- H.R. 3762 (FY16 Budget Reconciliation)
- Empowering Patients First Act (Tom Price)
- A Better Way (Paul Ryan)
- Patient CARE Act (Burr, Upton, Hatch)
- Heritage Foundation

Uncertainty of Federal Funding

Projection/ACA Promise:

- Federal government will pay at least 90 percent of the costs of Medicaid expansion

Reality:

- The enhanced Federal Medical Assistance Percentage (FMAP) passed under the ACA is likely one of the first things that will be rolled back.
- If the FMAP was rolled back to regular FMAP, it could cost Kansas \$319.1 million (more) in 2018 and \$391.6 (more) in 2025. That translates to about \$2.75 billion in additional state funds by 2025

Costs of Medicaid Expansion

Projection/ACA Promise:

- Claim is that Medicaid expansion will only cost Kansas \$57.5 million in 2017 rising to \$114.5 million in 2020 and be budget neutral

Reality:

- There is no cost benefit to the state
- KHI estimates that expansion would cost \$729.7 million in SGF over seven years, \$1.1 billion over 10 years
- An independent actuarial study estimates that Medicaid expansion would cost Kansas over \$1.2 billion in SGF from CY 2016 – CY 2025
- Eliminating the waiting list for individuals with disabilities would increase Kansas' cost to \$1.4 billion in SGF from 2018 through 2025 to expand Medicaid

Medicaid Expansion Enrollment

Projection/ACA Promise:

- Original Medicaid expansion enrollment projections ended up being approximately half the actual expansion numbers

Reality:

- Under ACA expansion, enrollment has been more than double the original projections
- 24 of the current Medicaid expansion states made predictions on enrollment numbers. Every state enrolled more adults than projected, by an average of 110 percent.
- More than doubling enrollment requires significant fiscal adjustments to other aspects of a State's Medicaid programs, or to other components of state budgets.

Impact on Rural Hospitals

Projection/ACA Promise:

- Medicaid expansion will save struggling rural Kansas hospitals

Reality:

- The vast majority of increased funding in Medicaid expansion goes to big-city hospitals.
- Many rural hospitals are struggling financially because of onerous federal regulations.
- As federal Medicare reimbursements decrease, rural health care providers experience growing financial gaps

Economic Impact/Job Creation

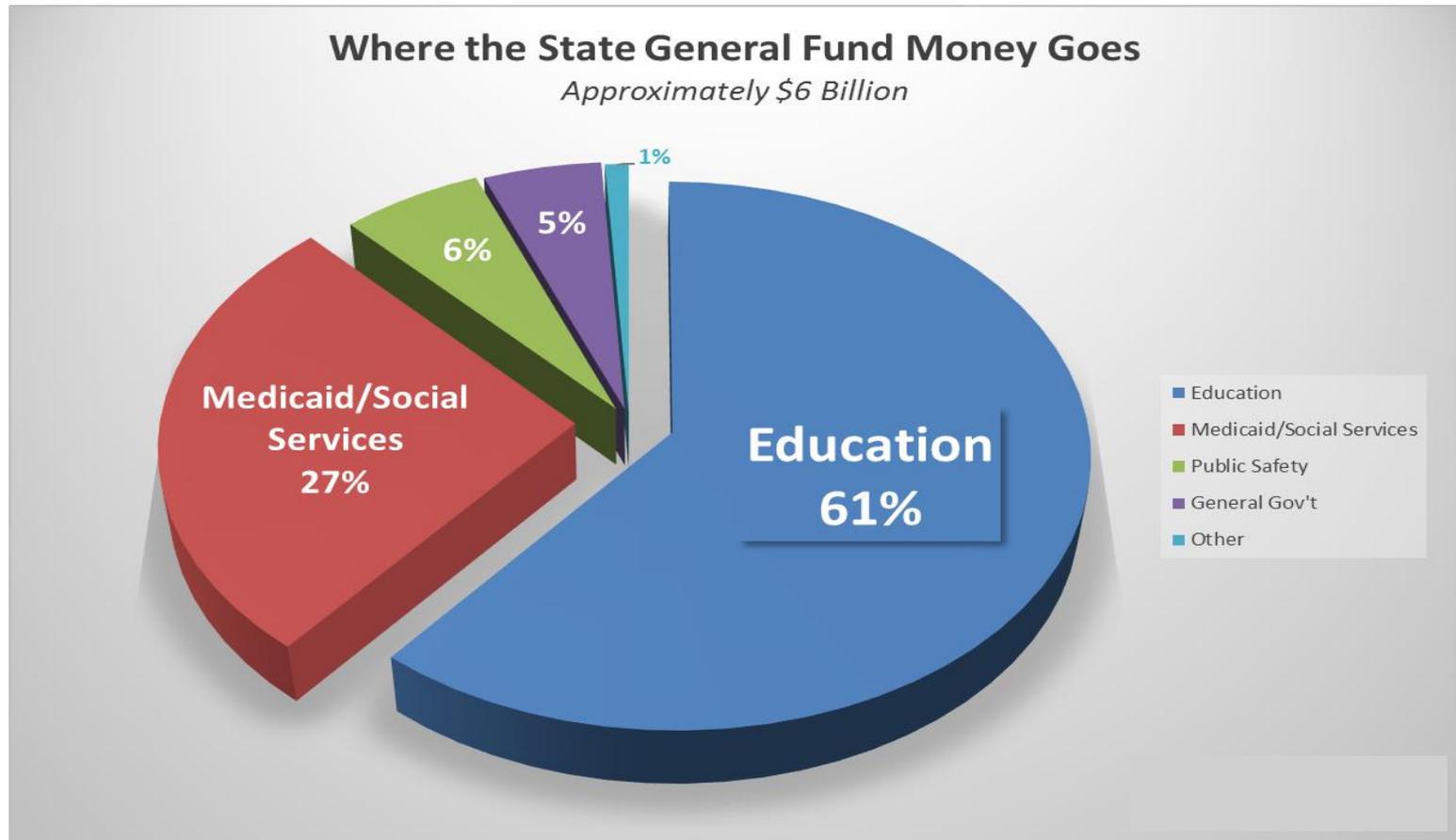
Projection/ACA Promise:

- Medicaid expansion will create thousands of healthcare jobs in Kansas

Reality:

- Kansas has a problem with shortage of healthcare workers, not availability of healthcare jobs
- 92 counties are designated as shortage areas for primary care
- 100 counties are designated as shortage areas for mental health
- Kansas already needs an additional 3,827 nurses
- Health Resources and Services Administration (HRSA) projects a deficit of 5900 nurses in Kansas by 2020
- Economic multiplier is near zero

Prioritization of State Resources



Conclusion

- Estimated \$1 billion to expand Medicaid
- Future of the level of federal financial participation is unknown
- Medicaid expansion states exceeded enrollment projections by 110 percent
- Kansas is in a much better position than the states that have expanded Medicaid to weather the repeal of the ACA and to provide more flexibility and options to Kansans going forward