**SUMMARY**

Federal health care reform passed in March 2010 (Patient Protection and Affordable Health Care Act) may cost the State $50 million General Fund in FY 2014, increasing to $165 million General Fund in FY 2021 according to estimates by the affected State agencies. The vast majority of the costs will be in the Department of Health for medical services within Medicaid with the remainder in the Department of Workforce Services for costs associated with determining Medicaid eligibility. This brief is for informational purposes only and no Legislative action is required.

**DISCUSSION AND ANALYSIS**

State agencies estimate the General Fund cost of changes to Medicaid eligibility at $50 million in FY 2014 rising to $165 million in FY 2021. This brief provides a brief discussion of each of the seven changes to Medicaid eligibility as well as the fiscal impact to the State wherever possible.

**Expanded Medicaid Eligibility Beginning January 2014**

Effective January 1, 2014, everyone, who is a citizen or has been a legal resident for at least five years, with incomes up to 138% of the Federal Poverty Level will be eligible for Medicaid, except for those eligible for Medicare. The new income level of 138% is represented by the black vertical line in the table from LRGC below and is imposed upon the current levels of eligibility in public health insurance assistance programs.

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**Mandatory vs. Optional Coverage of Major Groups**

By Qualifying Income Level (Utah)

[Graph showing mandatory and optional coverage for various groups, with legends indicating mandatory, CHIP (non-Medicaid), optional, and optional--Primary Care Network.]
Some of the larger eligibility changes by group are listed here below:

1. **Adults with no children** - Currently adults with no children can qualify for a limited benefit package of primary care services through the State’s Primary Care Network during period of open enrollment. Federal health care reform makes these individuals available for Medicaid benefits.

2. **Parents** – Currently the State covers single parents with incomes up to 42% of the Federal Poverty Level and two parents with incomes up to 38% of the Federal Poverty Level. Federal health care reform expands the income eligibility up to 138% Federal Poverty Level.

3. **Children ages 6 to 18** - Currently the State covers children ages 6 to 18 living in households with incomes up to 100% of the Federal Poverty Level. Federal health care reform expands the income eligibility up to 138% Federal Poverty Level.

4. **Individuals who qualify because of one of the following: disability or blind** - Currently the State covers these individuals with incomes up to 100% of the Federal Poverty Level. Federal health care reform expands the income eligibility up to 138% Federal Poverty Level for those who are not eligible for Medicare.

**More Limited Use of Asset Test for Medicaid Beginning January 2014**

Effective January 1, 2014, Utah will no longer be able to have an asset test for everyone except those who need long term care services. For most with incomes up to 138% of the Federal Poverty Level will be eligible for Medicaid, irrespective of assets. Currently about 5% of Medicaid applicants are rejected primarily due to assets. Below is a list of some of the maximum asset levels currently allowed in order to qualify for Medicaid:

1. $2,000 or $3,000 in liquid assets (cash, investments, retirement accounts) – asset level varies by specific program

2. One car, $3,000, or $15,200 in car value – asset level varies by specific program

3. One house or $500,000 in home value – home asset level set at $500,000 for all clients applying for long term care services. All other clients can have one home of any value.

**State Must Cover Foster Care Graduates up to Age 26**

Effective January 1, 2014, the State must cover foster care graduates up to age 26, who qualify based on income levels, and provide the richer Medicaid benefit package traditionally provided to children. Currently, Utah has opted to cover foster care children graduates ages 18 through 21 on Medicaid at a cost of about $300,000 General Fund annually. The benefit packet for these former foster care children is similar to the benefits received by adults/children.

**Federal Financing of Medicaid’s Newly Eligibles**

The federal government will pay 100% of the medical services received by the newly eligibles from January 1, 2014 through December 31, 2016. Beginning January 1, 2017, State will pay 5%. This increases to 6% in 2018, 7% in 2019, and 10% in 2020 and into the future. Additionally, from October 1, 2013 through September 30, 2019, Utah will receive a favorable increase in its federal match rate of 0.15% for all of its Medicaid services. The Analyst estimates annual savings of $275,000 General Fund from the 0.15% provision. The federal government paying 100% of costs from 2014 through 2016 would not be a savings to the State unless the State expanded eligibility for this population prior to 2014. One possible exception to the State not seeing savings from this provision would be the Primary Care Network discussed above. To the extent that federal funds replace State funds for serving these individuals as newly eligibles for Medicaid benefits, this may save the State. In FY 2010 the State paid $22,457,900 total funds (about $6.5 million General Fund in regular match
years) for 18,300 clients in the Primary Care Network. The payments from the federal government for the newly eligibles is estimated to be $152 million in FY 2014 rising to $458 million in FY 2021.

**How 133% FPL is Really 138% FPL for Medicaid Eligibility**

While 133% of the Federal Poverty Level is the commonly mentioned new eligibility level under federal health care reform, the true new level is 138% of the Federal Poverty Level. The 5% difference comes from a provision that requires States to disregard (not count) 5% of an applicants’ income. Since the base income is 133% of the Federal Poverty Level and another 5% is not counted, this results in a net new eligibility level of 138% of the Federal Poverty Level.

**Interaction of the Health Exchange with Medicaid**

Effective January 1, 2014, the individual health insurance exchange for Utah must also determine final eligibility determination for Medicaid and the Children’s Health Insurance Program.

**Hospitals Can Make Presumptive Eligibility for Medicaid**

Beginning in 2014 hospitals, determined capable by the State, can make presumptive eligibility determinations for all Medicaid eligible populations. Presumptive eligibility is currently done for pregnant women, which provides these applicants with services up to 60 days until final eligibility can be determined. During this up to 60 day period, services will be paid for even if the State later determines that the individual is not eligible except in cases in blatant fraud. This marks the first time that federal law has allowed non-State entities to determine Medicaid eligibility.

**$165 Million in General Fund Costs to the State by FY 2021**

State agencies estimate the General Fund cost of changes to Medicaid eligibility at $50 million in FY 2014 rising to $165 million in FY 2021. The table below shows the agencies’ estimated cost of eligibility changes to Medicaid under federal health care reform in General Fund from FY 2014 through FY 2021:

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<td>Unenrolled Currently Eligible Individuals</td>
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<td>$ -</td>
<td>$ -</td>
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<td>Total New State Commitment</td>
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<td>$ (122.4)</td>
<td>$ (133.3)</td>
<td>$ (149.5)</td>
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Below is a brief explanation of each cost category mentioned in the table above:

1. **Unenrolled Currently Eligible Individuals** - Effective January 1, 2014, all individuals, with incomes above 100% of the Federal Poverty Level, will need to obtain health insurance with minimum essential coverage or pay a penalty to the federal government. The Department of Health estimates that this may encourage as many as 57,800 people of Medicaid-eligible individuals to enroll in Medicaid. The agency’s General Fund cost estimates include a 6% annual increase for inflation.

2. **Newly Eligible Individuals** – the Department of Health estimates 52,200 newly eligible individual will enroll in Medicaid. The $0 cost in FY 2014 through FY 2016 represent where the federal government will pay 100% of the costs. The State share of these costs begins in 2017 at 5%, which increases annually until it is 10% in 2020. The agency’s General Fund cost estimates include a 6% annual increase for inflation.

3. **Workforce Services Administration** - the Department of Workforce Services estimates a need for a 99% increase in Medicaid eligibility staffing or about 330 new FTEs to handle the 110,000 new Medicaid enrollees.
4. **Health Administration** – the Department of Health estimates a need for a 10% increase in Medicaid administration staffing or about 25 new FTEs to handle the 110,000 new enrollees.

Additionally, the Department of Human Services estimates a need for an appropriation of $0.5 million General Fund for additional staff billing other insurance policies of the new Medicaid enrollees; however, the Department estimates that it will collect for the State more than $0.5 million to offset these costs.

**Administrative Requirements**

Although Utah can no longer use an asset test to determine eligibility, Utah will still need to complete the asset for some individuals to determine if the State should receive the higher federal reimbursement for newly eligibles. For those individuals who obtain health insurance via the online exchange, this likely will require follow up work by eligibility workers to obtain additional information.

**Other Cost Estimates**

The Kaiser Commission estimates total Utah State costs from 2014 through 2019 at $174 million ($10 million from currently eligible and $164 million from newly eligible) to $227 million ($42 million from currently eligible and $185 million from newly eligible) The low cost estimate is based on the projection model of the Congressional Budget Office, while the high cost estimate is based on assumptions by the Urban Institute’s Health Policy Center. Kaiser estimates by 2019 Utah will have 138,900 to 180,500 newly eligibles enrolled as well as 78,300 to 113,900 previously eligible but now enrolled.

**Sources**

*Medsicaid Coverage and Spending in Health Reform: National and State-by-State Results for Adults at or Below 133% FPL*, Kaiser Commission on Medicaid and the Uninsured, May 2010,

**Additional Information About Federal Health Care Reform**

- [www.healthcare.gov](http://www.healthcare.gov)
- [www.ncsl.org](http://www.ncsl.org)
- [www.kff.org](http://www.kff.org)