

Federal Health Care Reform Impacts to the State of Utah

Program Potentially Impacted in the Future (2014 Estimates)	Agency	Federal Health Care Reform (PPACA) Impact in State Funds - Required	Medicaid Expansion Impact in State Funds - Optional	Questions Posed by Analyst
Service Costs of More Clients Enrolling in Medicaid	Health ^{1,2} & Human Services ³	\$80,300,000	\$0	What will be the impact of an exchange checking all applicants for public health insurance? What about the elimination of the asset test? What will be the impact of financial penalties to those who don't get insurance? What about the CHIP children to Medicaid shift? What is the impact of the use of modified adjusted gross income (MAGI) in Medicaid? What is the impact of spousal impoverishment provisions expanded to home and community based services? What impact from hospitals making presumptive eligibility? Impact of richer children's benefit package to all foster care graduates? Will there be less children on CHIP from people getting "affordable coverage" via the exchange with subsidies?
Administrative Impacts of More Clients Enrolling in Medicaid	Health, ^{4,5} Human Services, ^{6,7} Workforce Services	\$5,900,000	\$5,200,000	What will be the impact of an exchange checking all applicants for public health insurance? ⁸ What about the elimination of the asset test? ⁹ What will be the impact of financial penalties to those who do not obtain insurance? ¹⁰ What about the CHIP children to Medicaid shift? ¹¹ What is the impact of the use of modified adjusted gross income (MAGI) in Medicaid? ¹² What is the impact of spousal impoverishment provisions expanded to home and community based services? ¹³ What impact from hospitals making presumptive eligibility? ¹⁴ What is the impact on cost recovery and cost avoidance for Medicaid? ¹⁵
Impacts to Medicaid From Service Changes	Health, Human Services	unknown ^{16,17}	N/A	What is the financial impact from the following changes to Medicaid service requirements: (1) no co-payments and deductibles for preventative care, (2) quality requirements for adults and pregnant women, (3) reduction in disproportionate share hospital payments, (4) changed definition of medical assistance, (5) Medicaid wrap around coverage, (6) coverage of free standing birthing centers, (7) comprehensive tobacco cessation services to pregnant women, (8) children hospice care, and (9) FBI background checks on long term care workers, not to be paid by employee?
Changes to Medicaid Drug Reimbursement Policies	Health	N/A ¹⁸	N/A	What is the impact from changing to 175% Average Manufacturer's Price for drug reimbursement for multiple source drugs and putting barbiturates and benzodiazepines on the Medicaid excluded drug list?

Federal Health Care Reform Impacts to the State of Utah

Change in demand for other medical services programs	Health, ^{19,20} Human Services, ^{21,22} USOR	unknown	(\$400,000) & other unknown impacts	Will there be a change in demand or cost to any of the following programs: (1) Assistance to Persons with Bleeding Disorders, (2) Cancer Screening Program, ²³ (3) AIDS assistance programs like Ryan White, ²⁴ (4) Immunization Program, ²⁵ (5) tobacco programs, ²⁶ (6) local substance abuse and mental health programs, (7) aging community programs like Aging Alternatives, (8) public guardianship services, (9) disabilities non-waiver services, (10) mental health services in the Division of Child and Family Services and Juvenile Justice Services, (11) services provided at the Utah State Hospital, and (12) changes in Vocational Rehabilitation Services? ²⁷
Child Care Assistance	Workforce Services	N/A	N/A	How are these programs impacted by federal health care reform? Workforce Services: "While it is possible that each of these programs will see growth in number of enrollees, as individuals applying for Medicaid may also request non-medical programs, the cost to administer a medical only case vs a medical and non-medical case is minimal."
Eligibility Services	Workforce Services	N/A	N/A	
Nutrition Assistance	Workforce Services	N/A	N/A	
Refugee Assistance	Workforce Services	N/A	N/A	
Temporary Assistance to Needy Families	Workforce Services	N/A	N/A	
Other Assistance	Workforce Services	N/A	N/A	
Total Ongoing Cost Estimates		\$ 86,200,000	\$ 4,800,000	Note: Most impacts would begin around January 1, 2014 and reflect a full year of impacts. Agency estimates have been rounded to the nearest \$100,000.

Notes:

¹Health: "The necessity of the Exchange's needing to screen all applicants for Medicaid eligibility combined with the financial penalties for those without insurance will increase enrollment in the Medicaid program, even without choosing the optional expansion. Additionally, the elimination of the asset test for many populations will facilitate the transfer of all children currently enrolled in CHIP under 138% of the FPL to the Medicaid program. These children will still be covered under Title XXI federal funds at the 80/20 match rate. The impact of MAGI will cause programming changes into State eligibility and payment systems and procedural changes in determining eligibility. In 2010, the Department of Health estimated that this impact will be \$940 million over the first ten years of implementation. The Department is working on revised estimates that take into account updated numbers for the uninsured."

Federal Health Care Reform Impacts to the State of Utah

²Health (expansion): "If the State elects to expand the Medicaid program as allowed under PPACA, there will be a substantial increase in the number of people newly eligible for the program. The financial impact of all these new clients is covered with 100 percent federal funds for the first three years of the expansion if the State expands January 2014. The federal participation would gradually reduce from 100 percent to 90 percent over seven years and then remain at 90 percent participation under the current law.

In 2010, the Department of Health estimated that this impact will be \$240 million over the first ten years of implementation. The Department is working on revised estimates that take into account updated numbers for the uninsured." The General Fund cost estimate from Health goes from \$9.1 million in FY 2017 to \$51.5 million in FY 2023.

³Human Services: "The Division of Substance Abuse and Mental Health estimates that in 2014 the increase in funding for the individuals that are currently eligible for Medicaid but are not enrolled will be \$15,598,550 (Federal portion: \$10,918,985, State portion: \$3,743,652, & County portion: \$935,913) for mental health and \$1,297,305 (Federal portion: \$908,114, State portion: \$311,353, & County portion: \$77,838) for substance abuse. A small number of children and youth in custody who do not currently qualify for Medicaid due to assets will now qualify. A small number of children and youth in custody that qualify for CHIP will instead qualify for Medicaid. Cost impact for (Division of Child and Family Services) and (Juvenile Justice Services) will be negligible."

⁴Health: "The Division of Medicaid and Health Financing will see an increased need for the following four functions: health plan enrollment, claims payment, prior authorization and restriction program staffing. Additionally, there will be one-time system programming costs associated with the policy changes"

⁵Health (expansion): "If the State elects to expand the Medicaid program as allowed under PPACA, there will be an increased need for the administrative functions of health plan enrollment, claims payment, prior authorization and restriction program staffing. There would also be some one-time system programming costs. All of these costs would be in addition to those mentioned."

⁶Human Services: "Administrative impacts would be ancillary to any direct impacts identified by the programs. Possible contract modifications. Increase monitoring of fraud, waste, and abuse. Coordination, oversight, support working through reform items including funding issues and possible impacts to systems and processes. There are at least 10,000 full and part-time direct care workers serving about 4,700 people with severe disabilities. The PPACA makes it necessary for employers to provide health insurance for these workers or pay a penalty. Without additional funding provided by the legislature to cover this increase in costs or a federal exemption being granted -- Providers will need to reduce worker wages to cover this unfunded mandate. The Local Mental Health and Substance Abuse Authorities could experience substantial administrative impacts (both positive and negative)."

⁷Human Services (expansion): "The Third Party Liability (TPL) case load will increase by the same number of new clients added to the eligibility roles. A TPL case must be opened for every person added to the Medicaid system this is to allow for the possibility of cost recovery or avoidance where possible. ORS estimates an increase in administrative costs of approximately \$1.2 million (\$800,000 Federal and \$400,000 General Fund) in order to support the anticipated increase in child support caseload. Creates the likelihood for additional caseload growth for the Office of Licensing. Current public mental health and substance abuse programs will likely experience growth, but it is also expected that additional new programs will be created as a result of this Act. We also anticipate additional treatment programs for children and youth will be created. Growth of existing programs and the creation of new human service treatment programs will in turn create caseload increases for Licensing Specialists and Background Screening staff in the Office of Licensing. The extent of possible caseload increase is unknown. The Local Mental Health and Substance Abuse Authorities could experience substantial administrative impacts (both positive and negative)."

Federal Health Care Reform Impacts to the State of Utah

⁸Workforce Services: "The impact will be significant. Beginning in 2014 an individual enrolled in or applying for private insurance will be eligible for a tax credit up to 400% FPL (Federal Poverty Level) to help offset their out-of-pocket expenses. In order to be eligible for the tax credit, the applicant must be found ineligible for Medicaid. It is estimated that 72% of Utahns (2,008,200) are under 400% FPL and it is likely all of these individuals will need a Medicaid denial. This requirement is also likely to result in a higher Medicaid enrollment, as those interested in a tax credit but eligible for Medicaid may find the only option they have to offset their out-of-pocket expenses is to enroll in Medicaid. It is estimated that 23% of Utahns (638,900) are under 138% FPL, the new Medicaid income guideline under an expansion."

⁹Workforce Services: "The elimination of the asset test will not apply to all programs. Many of those for which it does apply, were not denied completely. Often children that are denied Medicaid for assets are approved for CHIP, as CHIP does not have an asset test, while the parents of the CHIP children remain ineligible due to assets. Under no expansion, we believe there will be a significant shift from CHIP to Medicaid as a result of the asset rule change; however the difference in cost to administer a Medicaid case versus a CHIP case is minimal. Under expansion, the previously denied parents of CHIP children will now be eligible for Medicaid with their children. On top of the expansion costs, there will also be a one-time cost to change the rules of eREP to correctly determine non-asset test Medicaid eligibility."

¹⁰Workforce Services: "DOH has run an estimate on the number of uninsured Utahns and divided this population into two categories, 1) those Medicaid eligible under current rules that are not receiving the benefit and 2) those newly eligible for Medicaid based on expansion rules. The financial penalty for not having insurance may drive those currently eligible, but not receiving Medicaid, to apply. Assuming 90% of this population applies, without expansion, it is estimated that an additional 58,500 individuals (approximately 28,818 cases) would enroll in Medicaid. With expansion, using the same assumption of 90% of uninsured applying, it is estimated that an additional 52,900 individuals (approximately 26,059 cases) would enroll in Medicaid."

¹¹Workforce Services: "As stated above, there would be a shift from CHIP to Medicaid but the difference in cost to administer a Medicaid case versus a CHIP case is minimal. Even without expansion, we believe the requirement to eliminate the asset test for children still exists. It is believed that 1/3 of CHIP recipients would be shifted to Medicaid (approximately 38,000 children currently on CHIP)."

¹²Workforce Services: "There are two major impacts with such a change, 1) System enhancements will be needed to both gather the MAGI information from the federal data hub and apply the new income correctly in eREP (rules based eligibility system) and 2) the Medicaid program requirements not being aligned with other public programs is problematic. DWS currently administers eligibility for Food Stamps, TANF and Child Care. MAGI will result in Medicaid using a different household composition (based on how one files taxes) and income best estimate (MAGI) than the non-medical programs. Currently, over 70% of cases eligible for medical are also receiving non-medical assistance. Because of these significant program differences resulting from the use of MAGI, the application may be less streamlined, more error prone, and confusing to the applicant."

¹³Workforce Services: "Based on initial evaluations of these changes, it is believed the impact will be minimal as many of the spousal impoverishment provisions are currently applied to our waiver programs."

¹⁴Workforce Services: "Presumptive eligibility would be the practice of a hospital asking agreed upon eligibility questions and using the customer stated answers to presumptively determine Medicaid eligibility. The use of electronically available resources available to aide in Medicaid eligibility determination, through both the state and federal data hubs, would not be used in the presumptive eligibility determination. We currently only use presumptive eligibility for Baby Your Baby and Foster Care Medicaid. The impact would be 1) changing eREP to disregard known eligibility information to approve Medicaid based on customer statement, 2) multiple processing of cases to approve presumptively and later approve/deny ongoing Medicaid using electronic and paper verification, and 3) potential increase in Medicaid overpayments based on information used to determine presumptive eligibility being invalidated based on electronic and paper verification."

Federal Health Care Reform Impacts to the State of Utah

<p>¹⁵Workforce Services: "The cost to recover Medicaid misspent dollars and the ability to avoid unnecessary costs to Medicaid may be impacted by presumptive eligibility. As stated above, presumptive eligibility is used currently, but the use is limited to a small population that has a lower cost risk. Hospitals using presumptive eligibility would increase the practice of Medicaid eligibility being determined using customer statement, which may result in a greater need for cost recovery. In addition, the cost risk is greater, as this presumptive eligibility population is at the hospital to receive some type of treatment."</p>
<p>¹⁶Health: "The reduction in Disproportionate Share Hospital (DSH) funding will eliminate about \$5 million in federal funding that currently goes to Utah hospitals. Since the State already covers Free Standing Birthing Centers and offers comprehensive tobacco cessation services to women, these will not cause an impact to the program or the budget. The addition of the children hospice benefit will increase costs to the program."</p>
<p>¹⁷Human Services: "Disproportionate Share Hospital payments to (Utah State Hospital) are scheduled to decrease by \$1.2 million over 6 years beginning with \$48,000 in FY 2014."</p>
<p>¹⁸Health: "The current Medicaid reimbursement rates for pharmacy products is less than the new Federal Upper Limit (FUL). So no impact is anticipated here."</p>
<p>¹⁹Health: "The Medical Clinics will have increased demand, as learned in Massachusetts. But, revenues would only change slightly depending on how Medicaid rates are set. The Children with Special Health Care Needs clinic needs would not change since reform will not increase the availability of pediatric sub-specialists. (1) No impact on the Bleeding Disorder Program as funding is currently used for clients with insurance whose disease related expenses and/or insurance premium expenses exceed their 'normal' insurance coverage and go beyond 7.5% of adjusted gross income."</p>
<p>²⁰Health (expansion): "The decision to expand Medicaid could result in saving state and county funds currently spent on inpatient hospital services for incarcerated individuals. Other medical costs besides inpatient hospital would not be impacted. The Department of Corrections spends about \$3 million a year on inpatient hospital expenditures for incarcerated individuals."</p>
<p>²¹Human Services: The "(Division of Services for People with Disabilities) estimates that there could be a slight impact if health insurance of parents of some consumers covers some non-waiver services. The (Division of Substance Abuse and Mental Health) estimates that 82% of current substance abuse clients are eligible for Medicaid and that 85% of current mental health clients are eligible for Medicaid. There will be an increased demand for beds at (Utah State Hospital), but no beds are available. The waiting list may increase and there may be more pressure to discharge earlier. As an (Institution of Mental Disease), there should be no increase in off campus medical service levels. The Office of Public Guardian does not anticipate an impact."</p>
<p>²²Human Services (expansion): "The (Division of Substance Abuse and Mental Health) estimates that 82% of current substance abuse clients are eligible for Medicaid and that 85% of current mental health clients are eligible for Medicaid. There will be an increased demand for beds at (Utah State Hospital), but no beds are available. The waiting list may increase and there may be more pressure to discharge earlier. As an (Institution of Mental Disease), there should be no increase in off campus medical service levels."</p>
<p>²³Health (expansion): "Cancer Screening: A small portion of the clients currently served in the Cancer Screening Program will become covered by Medicaid if the expansion occurs. We anticipate that the overall Cancer Control Program from the CDC will continue and funding emphasis will be shifted to other focus areas of the grant, including community outreach, education and prevention. State general funds will not be reduced as they are currently tied to the Cancer Screening Program as part of the state's maintenance of effort (MOE) requirements of the grant. The MOE is the amount of historical spending by state governments and unless this requirement is changed by the federal government, it will continue at the current amount."</p>

Federal Health Care Reform Impacts to the State of Utah

²⁴ Health (expansion): "HIV Treatment & Care: A small portion of clients currently served through the HIV Treatment and Care Program will become covered by the Medicaid expansion, if it occurs. We anticipate that the overall HIV Treatment & Care Program from the Health Resource & Services Administration will continue and funding will be shifted to other focus areas of the grant, including outreach to those not in care, education, case management and clinical support. State general funds will not be reduced as they are currently tied to the HIV Treatment & Care Program as part of the state's maintenance of effort requirement (MOE). The MOE is the amount of historical spending by state governments and unless this requirement is changed by the federal government, it will continue at the current amount."

²⁵ Health (expansion): "No state fund savings are anticipated for this program."

²⁶ Health (expansion): "State general funds are not used to cover cessation services and no general fund savings are anticipated."

²⁷ USOR (expansion): "The potential savings from ACA is estimated to be \$445,000. This amount is determined by averaging the state match portion of Vocational Rehabilitation services provided over the past two years (2011 & 2012) that have the potential of being covered under the ACA. This amount is for services provided to otherwise uninsured Utahans who are (Vocational Rehabilitation) eligible, as the Rehabilitation Act mandates that available comparable health insurance benefits be fully utilized for eligible clients who have them. Impact would be the ability to utilize these funds in providing all other rehabilitative activities to an expanding clientele utilizing the (Vocational Rehabilitation) program."

Range of Estimates Provided by Workforce Services (Analyst Used Midpoint)

Administrative Ongoing Cost - Low	Workforce Services	\$2,900,000	\$2,100,000	<p>Workforce Services: "Administration Costs - \$5,746,500 (State Share at 50% - \$2,873,250). Assumptions Low Range - 90% of those uninsured, but currently eligible, enrolling in Medicaid based on mandate."</p> <p>Workforce Services (expansion): "Administration Costs - \$10,069,850 (State Share at 50% - \$5,034,925). Assumptions Low Range - 90% of those uninsured, currently eligible and newly eligible, enrolling in Medicaid based on mandate." The expansion estimates from the agency included the base cost for PPACA, so the numbers to the left show the marginal cost of each.</p>
Administrative Ongoing Cost - High	Workforce Services	\$7,500,000	\$7,100,000	<p>Workforce Services: "Administration Costs - \$14,921,100 (State Share at 50% - \$7,460,550). Estimate of all income eligible, but not currently enrolled and excluding adult expansion population (estimated 1/2 of population), enrolling in Medicaid based on insurance mandate or ineligible for tax credit because Medicaid eligible."</p> <p>Workforce Services (expansion): "Administration Costs - \$29,162,670 (State Share at 50% - \$14,581,335). Estimate of all income eligible, but not currently enrolled or newly eligible, enrolling in Medicaid based on insurance mandate or ineligible for tax credit because Medicaid eligible." The expansion estimates from the agency included the base cost for PPACA, so the numbers to the left show the marginal cost of each.</p>

Federal Health Care Reform Impacts to the State of Utah

System Ongoing Cost - Low	Workforce Services	\$500,000	\$200,000	<p>Workforce Services: "System Costs State Based Exchange (Front End to Connect to eREP only) - \$4,738,000 (State Share at 10% - \$473,800) Federal Exchange (Linking Federal Exchange Data to eREP Only) - \$8,536,400 (State Share at 10% - \$853,640)"</p> <p>Workforce Services (expansion): "System Costs State Based Exchange (Front End to Connect to eREP only) - \$6,692,000 (State Share at 10% - \$669,200) Federal Exchange (Linking Federal Exchange Data to eREP Only) - \$10,838,400 (State Share at 10% - \$1,083,840)" The expansion estimates from the agency included the base cost for PPACA, so the numbers to the left show the marginal cost of each.</p>
System Ongoing Cost - High	Workforce Services	\$900,000	\$200,000	