

# Health Care Reform & the States

Governor Mitch Daniels, Indiana

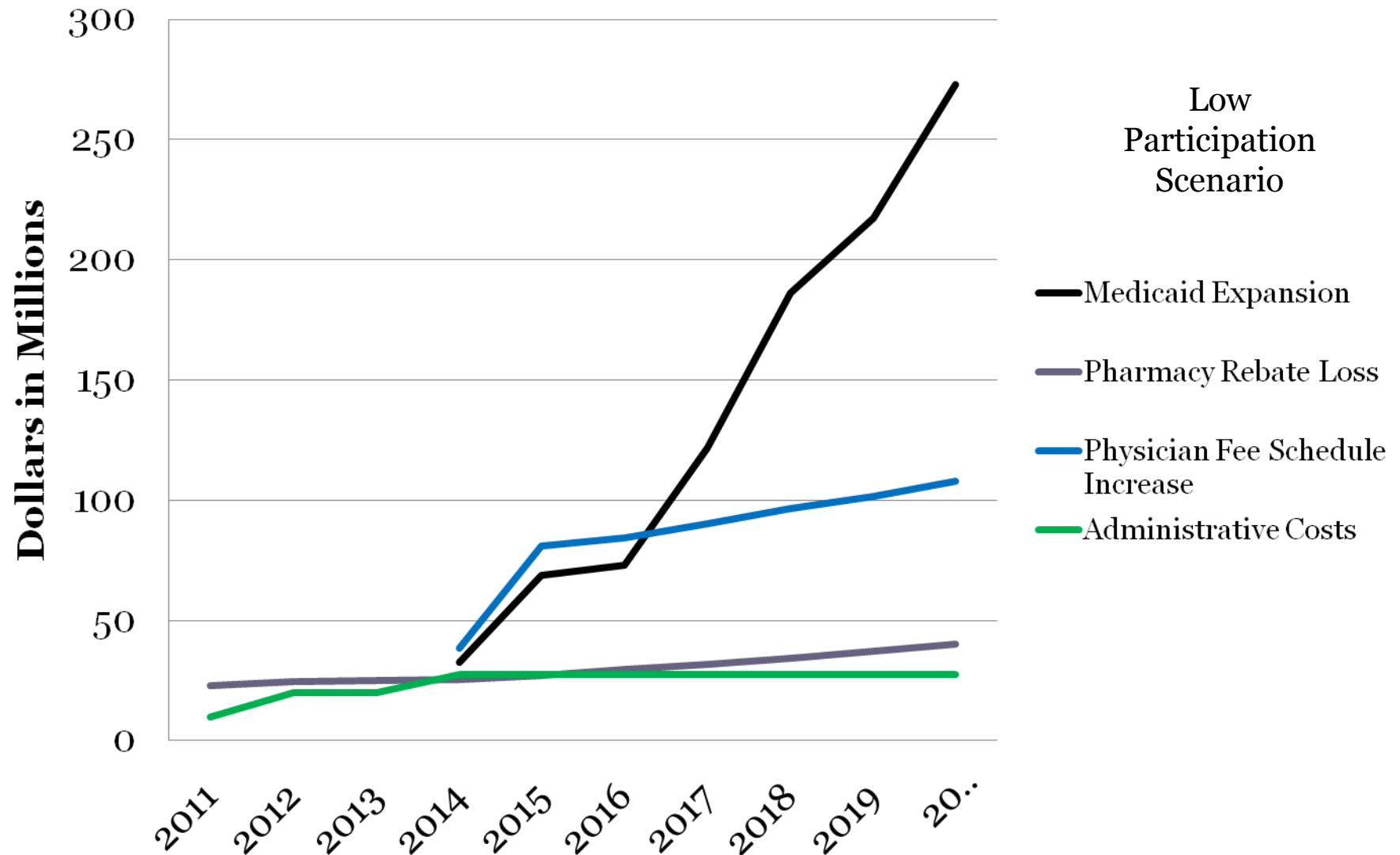
American Enterprise Institute

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## Indiana State Budget Medicaid, Fiscal Impact SFY11 – SFY20

	Low Participation	High Participation
Medicaid Assistance Expansion to 138% FPL	\$972 M	\$1,330 M
Impact of Reduced FMAP on HIP Eligibles	483 M	483M
Spend-down and SSI Eligible	576 M	576M
Pharmacy Rebate Loss	298 M	298M
Physician Fee Schedule Increase to 80% Medicare	600 M	832M
Foster Children – Expansion to Age 26	15 M	15M
Administrative Expenses	233 M	303M
CHIP Program – Enhanced FMAP	(195) M	(195)M
Breast and Cervical Cancer Program	(14) M	(14)M
Pregnant Women > 138% FPL	(47) M	(47)M
<b>Total</b>	<b>\$2.921 M</b>	<b>3,581M</b>

## Indiana Medicaid Program Fiscal Impact



# Indiana: Medicaid Costs for PPACA Implementation

	Milliman	Kaiser
<b>Total Cost to Indiana</b>	\$3.6B	Not included
<b>Cost of Medicaid Expansion</b>	\$1.3B	\$899M
<b>Number of Enrollees</b>	522,000 people	427,311 people
<b>Income</b>	138% FPL	133% FPL
<b>Participation</b>	Participation rate: 100%.	Participation rate: 75% for uninsured and lower for other coverage groups.
<b>Why is Kaiser different?</b>	<ul style="list-style-type: none"> <li>•Premium tailored to subpopulations and adjusted for age, gender, morbidity, selection and reimbursement.</li> <li>•Assumed an increase in physician reimbursements, pharmacy rebate losses, expansion to foster children &amp; administrative cost.</li> </ul>	<ul style="list-style-type: none"> <li>•Premium based upon average Indiana Medicaid for adults.</li> <li>•Kaiser did not include physician reimbursements, pharmacy rebate losses, etc.</li> </ul>

Data: Milliman high participation scenario & Kaiser enhanced scenario.

# Do it yourself?

## State Implementation of the PPACA:

- High Risk Pool – Federal Government
- Health Care Exchanges – Indiana currently analyzing options

# Concern Over State Exchanges

Federal regulations – NO timetable

Existing state models – NO value

Administrative burden – NO money

Demand (estimates) – NO clue

# Indiana: How many people will use the Exchange Eligibility System?

Group	Estimate
Uninsured workers at a firm <50 full time employees	380,475
Uninsured number of part-time workers	463,212
Uninsured full time workers in firms 50-99	56,436
Employers with 100+ employees (12% expected to drop coverage <sup>1</sup> )	201,289
Medicaid Expansion	522,000
<b>Total<sup>2</sup></b>	<b>1,623,412</b>

<sup>1</sup>Towers & Watson Survey 2010

<sup>2</sup>There is potential for some overlap between Medicaid expansion and uninsured workers estimates. Uninsured data based upon MEPS 2008 data. Medicaid expansion data from Milliman report.

# Exchanges = Complicated

State: What if a person's situation changes during the year?

What is Modified Gross Adjusted Income (MAGI)?

Employer: Is it cheaper to pay the penalties or to provide insurance?

State: How do we know if the person is disabled?

State: Who will operate the Exchange: Department of Insurance or Medicaid? Will Department of Revenue need to administer subsidies?

Individual: Do I buy insurance or is it cheaper to pay the penalty?

State: If there is open enrollment, does that mean that everyone will be using the system at once?

State: Are we supposed to run two different eligibility tracks? Would one determine if a person is "newly eligible" and another determine if they would have been eligible before health care reform?



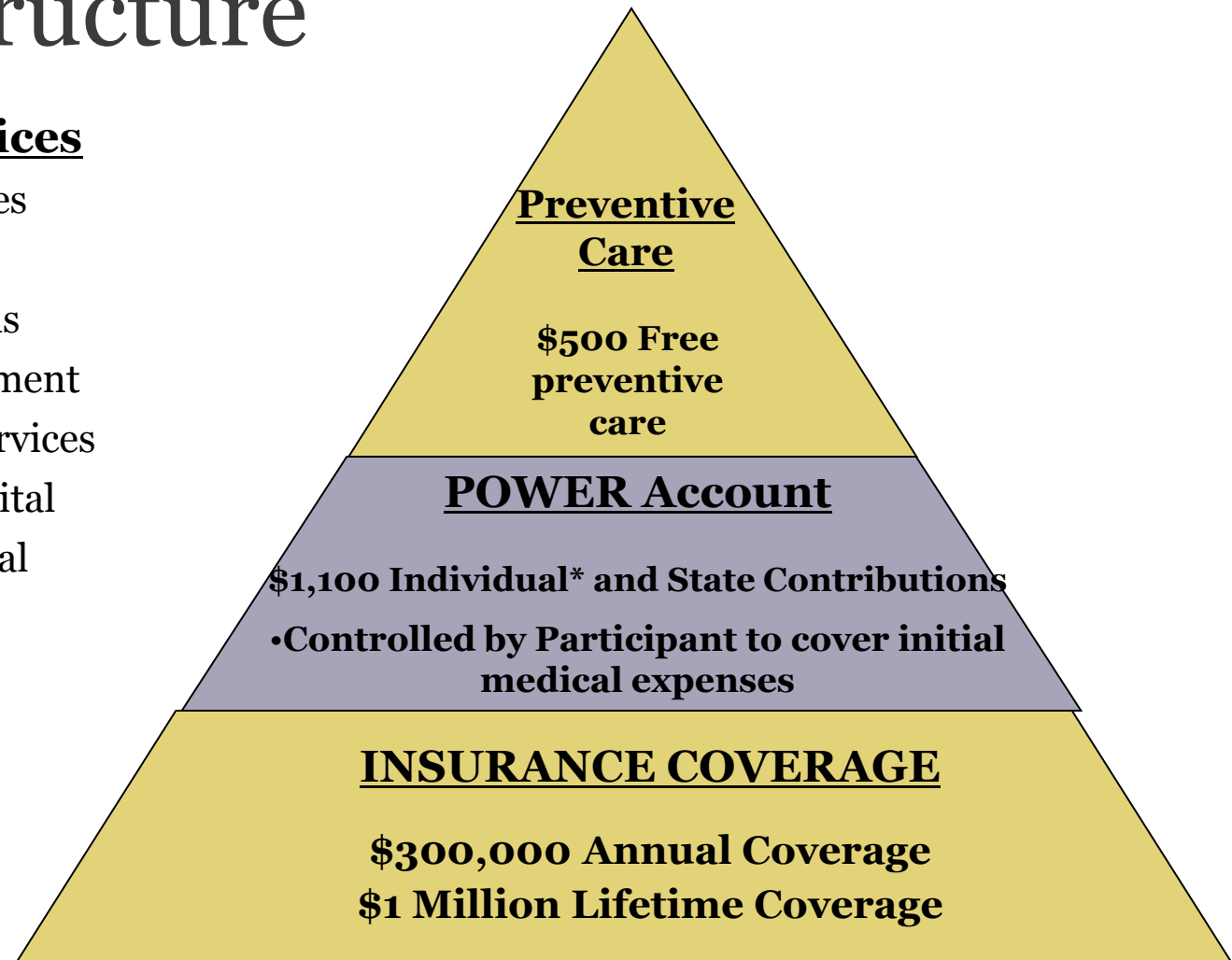
# Health Care vs. Penalty

- Joe— a single, 26 year old, Indianapolis male making \$40,000/year.
  - Now pays approximately \$131/month for health coverage.
  - Removal of annual & lifetime limits, no pre-existing conditions = PRICE WILL RISE.
  - Under PPACA, Joe will likely pay around \$200/month.
- Penalty for Joe to forego insurance under health care reform = Approximately \$400 (greater of \$95 or 1% of income in 2014).
- Joe forgoes and breaks his arm—he will still receive care and be immediately enrolled.
- WHAT WOULD YOU CHOOSE?

# HIP Structure

## Covered Services

- Physician Services
- Prescriptions
- Diagnostic Exams
- Disease Management
- Home Health Services
- Outpatient Hospital
- Inpatient Hospital



# Consumerism Works

	Utilization		
	Indiana Adult Medicaid	HIP	Commercial
Wellness Visits (per 1,000)	195.2	363.6	330.5
Generic Medication	87%	80%	65%

## Individuals making POWER account contributions vs. “zero contributors”

- Emergency Room Utilization
  - Non-POWER account contributors – 5% decrease over 6 months.
  - POWER account contributors – 15% decrease over 6 months.
- Preventive Care
  - Non-POWER account contributors – 19% received preventive care visit during 1<sup>st</sup> year.
  - POWER account contributors – 31% received preventive care visit during 1<sup>st</sup> year.