

University of New Mexico
Bureau of Business and Economic Research



NM Legislative Health and Human Services Committee

The Economic and Fiscal Impacts of the Proposed Medicaid Expansion in NM

November 27, 2012

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The “Medicaid Expansion” in New Mexico

Under the Patient Protection and Affordable Care Act (ACA) as enacted on March 23, 2010, states were required to extend Medicaid coverage to low-income adults under 65 years old with incomes up to 133% percent of the poverty level (138% after income disregards). However, the Supreme Court held that the federal government cannot withhold current Medicaid funding should a state decide to opt out of the Medicaid Expansion.

Focus of BBER study is the “Medicaid Expansion” and the “net new” federal dollars anticipated to flow to New Mexico. Study examines costs and benefits to the state, including General Fund impacts.

New Mexico Population Insured Under the Medicaid Expansion and Estimated Total Costs Low and High Uptake Scenarios

| | FY 2014 Jan - June | FY 2015 | FY 2020 | Totals FY 2014 -20 |
|--|-----------------------|---------------|-----------------|-----------------------|
| Newly Enrolled Medicaid Population under Low Uptake Scenario | | | | |
| Newly Eligible | 64,810 | 73,279 | 98,283 | |
| Presently in SCI | 37,100 | 34,148 | 18,051 | |
| Enrolled Under Low Uptake | 101,910 | 107,427 | 116,334 | |
| <i>Percent of All Eligible Adults</i> | 51.2% | 54.5% | 64.0% | |
| Cost Per Person | \$ 5,788 | \$ 6,191 | \$ 7,768 | |
| Total Costs (\$ Millions) | \$ 295 | \$ 665 | \$ 904 | \$ 5,077 |
| Newly Enrolled Medicaid Population under High Uptake Scenario | | | | |
| Newly Eligible | 89,114 | 105,847 | 131,044 | |
| Presently in SCI | 37,100 | 34,148 | 18,051 | |
| Enrolled Under Low Uptake | 126,214 | 139,995 | 149,095 | |
| <i>Percent of All Eligible Adults</i> | 63.4% | 71.1% | 82.0% | |
| Cost Per Person | \$ 5,788 | \$ 6,191 | \$ 7,768 | |
| Total Costs (\$ Millions) | \$ 365 | \$ 867 | \$ 1,158 | \$ 6,648 |

UNM BBER Calculations from NM HSD Medical Assistance Division data, May 2012

Flow of Federal Funds for "Medicaid Expansion"

New Mexico, \$ Millions

| | FY 2014 Jan - June | FY 2015 | FY 2020 | Totals FY 2014 -20 |
|--|-----------------------|---------------|---------------|-----------------------|
| Costs for Newly Enrolled Medicaid Population under Low Uptake Scenario | | | | |
| Total Costs | \$ 295 | \$ 665 | \$ 904 | \$ 5,077 |
| <i>Fed Share as a Percent of Total</i> | 100.0% | 100.0% | 91.5% | 96.1% |
| Federal Share | 295 | 665 | 827 | 4,878 |
| <i>Minus: 1.9% Insurance Fee a</i> | \$ (6) | \$ (13) | \$ (17) | \$ (96) |
| <i>Minus: Federal Share SCI b</i> | \$ (74) | \$ (146) | \$ (97) | \$ (826) |
| <i>Minus: Federal Share DSH c</i> | \$ - | \$ - | \$ (9) | \$ (25) |
| Net New Federal Dollars | \$ 215 | \$ 506 | \$ 704 | \$ 3,930 |
| Costs for Newly Enrolled Medicaid Population under High Uptake Scenario | | | | |
| Total Costs | \$ 365 | \$ 867 | \$ 1,158 | \$ 6,648 |
| <i>Fed Share as a Percent of Total</i> | 100.0% | 100.0% | 91.5% | 96.1% |
| Federal Share | 365 | 867 | 1,060 | 6,391 |
| <i>Minus: 1.9% Insurance Fee a</i> | (7) | (16) | (22) | (126) |
| <i>Minus: Federal Share SCI b</i> | (74) | (146) | (97) | (826) |
| <i>Minus: Federal Share DSH c</i> | - | - | (9) | (25) |
| Net New Federal Dollars | 284 | 704 | 932 | 5,413 |

a. The annual cost per person includes a 1.9% federal tax called the Insurer fee.

b. Calculated at 69.07% per HSD.

c. 68.79% of estimated DSH reductions per HSD.

UNM BBER Calculations from NM HSD Medical Assistance Division data, May 2012

Net State Share of Costs for NM "Medicaid Expansion" \$ Millions

| | FY 2014 Jan - June | FY 2015 | FY 2020 | Totals FY 2014 -20 |
|--|-----------------------|----------------|--------------|-----------------------|
| Costs for Newly Enrolled Medicaid Population under Low Uptake Scenario | | | | |
| Total Costs | \$ 295 | \$ 665 | \$ 904 | \$ 5,077 |
| % State Share | 0% | 0% | 8.5% | 3.9% |
| State Share | \$ - | \$ - | \$ 77 | \$ 199 |
| Plus: Additional Admin Costs | \$ 3 | \$ 3 | \$ 4 | \$ 23 |
| Minus: State Share SCI a | \$ (21) | \$ (42) | \$ (28) | \$ (239) |
| Net State Share | \$ (19) | \$ (39) | \$ 53 | \$ (17) |
| Costs for Newly Enrolled Medicaid Population under High Uptake Scenario | | | | |
| Total Costs | \$ 365 | \$ 867 | \$ 1,158 | \$ 6,648 |
| % State Share | 0.0% | 0.0% | 8.5% | 3.9% |
| State Share | \$ - | \$ - | \$ 98 | \$ 258 |
| Plus: Additional Admin Costs | \$ 3 | \$ 3 | \$ 4 | \$ 23 |
| Minus: State Share SCI a | \$ (21) | \$ (42) | \$ (28) | \$ (239) |
| Net State Share | \$ (19) | \$ (39) | \$ 74 | \$ 42 |

a. Calculated at 20% per HSD.

UNM BBER Calculations from NM HSD Medical Assistance Division data, May 2012

Assumptions for economic impact analysis of "Medicaid Expansion":

- Impacts will depend on net flow of federal dollars. Program will more than cover State costs during first 7 years (as demonstrated by fiscal impact analysis).
- Per Centennial Plan, all newly eligible Medicaid recipients will enroll with a Managed Care Organization (MCO) that will receive a capitated payment for each enrollee.
- The MCOs will gain new revenues by charging 15% for coordinating care, processing payments and performing other insurance functions for newly eligible (not SCI).
- Roughly 90% of health care needs will require services of (1) hospitals, (2) offices of physicians, dentists and other medical professionals, and (3) clinics, medical laboratories and other ambulatory care services. The remaining 10% will largely go for prescription drugs and medical equipment, with minimal economic impacts on NM.
- There is a shortage of health care providers and facilities, so those seeking care may experience difficulties gaining access; expansion of services to meet demand will take time. Economy will respond with a lag.

NM Economic Activity Supported by the Medicaid Expansion Low Uptake Scenario, Employment, Labor Income and Output in \$ Millions

| | Output | Employment | Labor Income |
|------------------------------|-----------------|--------------|-----------------|
| FY 2014 | | | |
| Direct Health Care | \$ 115 | 826 | \$ 55 |
| Direct Administration | \$ 13 | 50 | \$ 1 |
| Indirect Economic Impact | \$ 84 | 772 | \$ 26 |
| Total Economic Impact | \$ 213 | 1,648 | \$ 83 |
| FY 2015 | | | |
| Direct Health Care | \$ 329 | 2,433 | \$ 158 |
| Direct Administration | \$ 47 | 227 | \$ 10 |
| Indirect Economic Impact | \$ 246 | 1,424 | \$ 68 |
| Total Economic Impact | \$ 622 | 4,084 | \$ 236 |
| FY 2020 | | | |
| Direct Health Care | \$ 437 | 2,853 | \$ 200 |
| Direct Administration | \$ 71 | 305 | \$ 16 |
| Indirect Economic Impact | \$ 221 | 2,843 | \$ 83 |
| Total Economic Impact | \$ 729 | 6,001 | \$ 298 |
| Total FY 2014-20 | | | |
| Direct Health Care | \$ 2,514 | 2,853 | \$ 1,373 |
| Direct Administration | \$ 406 | 305 | \$ 90 |
| Indirect Economic Impact | \$ 1,905 | 2,843 | \$ 645 |
| Total Economic Impact | \$ 4,825 | 6,001 | \$ 2,108 |

UNM BBER calculations

NM Economic Activity Supported by the Medicaid Expansion High Uptake Scenario, Employment, Labor Income and Output in \$ Millions

| | Output | Employment | Labor Income |
|------------------------------|-----------------|--------------|-----------------|
| FY 2014 | | | |
| Direct Health Care | \$ 152 | 1,090 | \$ 73 |
| Direct Administration | \$ 39 | 138 | \$ 4 |
| Indirect Economic Impact | \$ 123 | 954 | \$ 39 |
| Total Economic Impact | \$ 314 | 2,183 | \$ 116 |
| FY 2015 | | | |
| Direct Health Care | \$ 546 | 3,747 | \$ 261 |
| Direct Administration | \$ 98 | 328 | \$ 22 |
| Indirect Economic Impact | \$ 419 | 2,634 | \$ 145 |
| Total Economic Impact | \$ 1,063 | 6,710 | \$ 428 |
| FY 2020 | | | |
| Direct Health Care | \$ 833 | 4,052 | \$ 380 |
| Direct Administration | \$ 119 | 406 | \$ 26 |
| Indirect Economic Impact | \$ 438 | 4,003 | \$ 214 |
| Total Economic Impact | \$ 1,391 | 8,461 | \$ 621 |
| Total FY 2014-20 | | | |
| Direct Health Care | \$ 4,499 | 4,052 | \$ 2,054 |
| Direct Administration | \$ 719 | 406 | \$ 159 |
| Indirect Economic Impact | \$ 3,406 | 4,003 | \$ 1,149 |
| Total Economic Impact | \$ 8,624 | 8,461 | \$ 3,362 |

UNM BBER calculations

General Fund Impacts of the Medicaid Expansion Low Uptake Scenario, \$ Millions

| | FY 2014 | FY 2015 | FY 2020 | FY 2014 - 20 |
|-------------------------------------|----------|----------|-----------|--------------|
| New Revenues | | | | |
| Premium Tax -- 4% a | \$ 7.5 | \$ 18.1 | \$ 30.5 | \$ 155.2 |
| NMMIP Reduction b | \$ - | \$ 33.9 | \$ 33.9 | \$ 203.3 |
| Gross Receipts Tax -- Direct Only c | \$ 2.3 | \$ 6.8 | \$ 13.5 | \$ 66.0 |
| Personal Income Tax d | \$ 1.9 | \$ 4.4 | \$ 6.0 | \$ 36.1 |
| | \$ 11.7 | \$ 63.2 | \$ 83.9 | \$ 460.6 |
| Cost Savings | | | | |
| State Savings SCI (20%) | \$ 21.5 | \$ 42.3 | \$ 28.0 | \$ 239.3 |
| Additional Costs | | | | |
| Administrative Costs | \$ (2.8) | \$ (3.0) | \$ (3.9) | \$ (23.1) |
| State Share Medicaid Expansion | \$ - | \$ - | \$ (76.8) | \$ (199.1) |
| | \$ (2.8) | \$ (3.0) | \$ (80.7) | \$ (222.3) |
| State Gain (Loss) | \$ 30.4 | \$ 102.6 | \$ 31.3 | \$ 477.7 |

a. On newly eligible only since premium tax is paid on all current SCI.

b. BBER is following the LFC in estimating 80% of high risk pool supported by this fee will enter an exchange with savings to the General Fund.

c. Direct only. BBER direct estimates for the high uptake scenario used by the LFC exceed LFC estimates for direct and indirect except for first year, when LFC estimates \$6.6 million. BBER assumes capacity limitations at start-up.

d. BBER defers to LFC expertise in estimating personal income taxes. Figures for low uptake scenario are scaled down using premium tax estimates for the two scenarios.

UNM BBER Calculations

General Fund Impacts of the Medicaid Expansion High Uptake Scenario, \$ Millions

| | FY 2014 | FY 2015 | FY 2020 | FY 2014 - 20 |
|-------------------------------------|----------|----------|------------|--------------|
| New Revenues | | | | |
| Premium Tax -- 4% a | \$ 10.3 | \$ 26.2 | \$ 40.7 | \$ 218.6 |
| NMMIP Reduction b | \$ - | \$ 33.9 | \$ 33.9 | \$ 203.3 |
| Gross Receipts Tax -- Direct Only c | \$ 3.2 | \$ 9.8 | \$ 18.0 | \$ 92.9 |
| Personal Income Tax d | \$ 2.6 | \$ 6.1 | \$ 8.3 | \$ 50.2 |
| | \$ 16.1 | \$ 76.0 | \$ 100.9 | \$ 565.0 |
| Cost Savings | | | | |
| State Savings SCI (20%) | \$ 21.5 | \$ 42.3 | \$ 28.0 | \$ 239.3 |
| Additional Costs | | | | |
| State Administrative Costs | \$ (2.8) | \$ (3.0) | \$ (3.9) | \$ (23.1) |
| | \$ - | \$ - | \$ (98.4) | \$ (257.8) |
| | \$ (2.8) | \$ (3.0) | \$ (102.3) | \$ (280.9) |
| State Gain (Loss) | \$ 34.8 | \$ 115.4 | \$ 26.6 | \$ 523.4 |

a. On newly eligible only since premium tax is paid on all current SCI.

b. BBER is following the LFC in estimating 80% of high risk pool supported by this fee will enter an exchange with savings to the General Fund.

c. BBER direct estimates exceed LFC estimates for direct and indirect except for first year, when LFC estimates \$6.6 million. BBER assumes capacity limitations at start-up.

d. BBER defers to LFC expertise in estimating personal income taxes.

e. BBER assume State continues to contribute to DSH program at same level.

UNM BBER Calculations

