Financial Impacts from Medicaid Expansion in Idaho

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Idaho Department of Health and Welfare

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 1
II. DETAILED FINANCIAL PROJECTIONS 4
III. METHODOLOGY AND ASSUMPTIONS 8
Development of Medicaid Cost Estimates 8
Medicaid Expansion Enrollment 10
Increased Administrative Expenditures 11
Other Assumptions 11
IV. OTHER IMPACTS NOT MODELED 13
V. CAVEATS AND LIMITATIONS 14

EXHIBITS

Exhibit 1: Impact of Expansion on Idaho Including State and Local Cost Offsets with Projected Offsets

Exhibit 2: 2020 Projections of PMPM Cost and Membership Distributions by Age/Gender

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I. EXECUTIVE SUMMARY

At the request of the Idaho Department of Health and Welfare (DHW), we prepared this report to analyze the cost impact of expanding Medicaid coverage under the Patient Protection and Affordable Care Act (ACA) as a possible result of a voter-initiated ballot measure. The ballot measure proposes expanding Medicaid coverage to the population of adults with income up to 133% of the Federal Poverty Level (FPL), with the standard Medicaid income rules allowing those with up to 138% of FPL to enroll. Throughout this report, we refer to state and local offsets.

The nature of this forecast is based upon the data and information available at this time. Actual enrollment levels and costs will vary from these estimates as the actual results are observed relative to the assumptions contained within this report.

Actual results could be higher or lower than our estimates. This can be due to changes in the number of persons eligible, enrollment take-up rates, per member costs, cost offsets, or federal funding. State funds will be needed to pay the state share of a potential Medicaid expansion. We have assumed a 90% federal medical assistance percentage (FMAP) for the duration of the projection period.

The total ten year cost estimate from SFY2020 to SFY2030 in state and local funds is $105.1 million net of projected offsets for currently authorized programs. The total state and federal ten year net cost (reflecting savings from existing state and local funds) is $4,796.3 million. Please see Table 1 for details.

Note that we have included ten complete fiscal years as well as the initial partial year given a January 1, 2020 implementation date.

Table 1
Idaho Department of Health and Welfare
Total Projected Additional State, Local, and Federal Costs <Savings> (Values in Millions)

Expansion with Projected Offsets

	Formula	SFY 2020**	SFY 2021	…	SFY 2030	Cumulative Total
Total Gross Cost Expansion	(a) = (b) + (c)	$199.6	$412.0		$586.2	$5,220.8
Federal Funds - Expansion	(b)	$179.0	$370.1		$526.9	$4,691.2
State Funds - Expansion	(c)	$20.6	$41.9		$59.3	$529.6
Projected State Offsets	(d)	($10.2)	($20.4)		($35.0)	($327.2)
State Funds - Expansion, Net State Offsets	(e) = (c) + (d)	$10.4	$21.5		$24.3	$202.4
Projected Local Offsets	(f)	$0.0	$0.0		($12.6)	($97.3)
State Funds - Expansion, Net State & Local Offsets	(g) = (e) + (f)	$10.4	$21.5		$11.7	$105.1
Federal Funds - Expansion	(h)	$179.0	$370.1		$526.9	$4,691.2
Total Net Cost Expansion:	(i) = (g) + (h)	$189.4	$391.6		$538.6	$4,796.3

**Only includes six months of claims cost for SFY 2020. Six months of cost was considered for SFY 2020 as the program effective date is to coincide with the annual open-enrollment process for non-group health insurance coverage available through Your Health Idaho (YHI).

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Our estimates are based on the following key assumptions:

Medicaid expansion enrollment:

The SFY 2020 Medicaid enrollment growth forecast as a result of the initiative is approximately 91,000 adults. This estimate is based on Idaho's current economic landscape and Medicaid expansion enrollment experience in other states relative to non-elderly adult Supplemental Nutrition Assistance Program (SNAP) enrollment. Actual enrollment may be lower or higher than our estimates due to variances in Medicaid enrollment take-up rates relative to other states, population changes, and fluctuations in unemployment rates and household income. For reference, Idaho's unemployment rate in April 2018 was 2.90%.[1] An increase in the unemployment rate would likely increase projected Medicaid expansion enrollment.

Medicaid expansion benefit expense:

Estimate per member per month (PMPM) benefit expense costs are based on an actual expansion Medicaid medical and pharmacy benefit costs from several states, adjusted for assumed Idaho age and gender mix and healthcare cost assumptions. Based on Idaho's Medicaid cost experience for existing populations, we assumed an annual PMPM trend of 2.50% for the projection period. For the second and third years (2021 to 2022), we also increased the annual PMPM trend to account for the duration of enrollment from the program start (please see the methodology section for further details). As stated previously, we have assumed a 90% FMAP for the duration of the projection period, resulting in the federal government funding 90% of direct Medicaid expansion benefit expenses.

Medicaid administrative expense changes:

The state of Idaho will incur additional administrative expenditures related to Medicaid expansion. DHW provided us with estimates for the one-time and ongoing administrative costs for SFY2020. DHW indicated a 0% trend of the ongoing expansion administrative load is a reasonable assumption.

Projected state and local offsets:

The State of Idaho has several state and local programs (not funded by federal dollars) that assist the medical needs of those not eligible for other form of health insurance in the state. Based on discussions with DHW, we assumed that Medicaid expansion would reduce the costs for these programs. This report includes assumptions for savings (offsets) from the following state and local programs due to Medicaid expansion:

- Local and State Catastrophic Health Care Cost (CAT) fund offsets
- Reduced hospitalizations for the Idaho Department of Corrections (IDOC)
- Offsets from services from DHW – Division of Behavioral Health (DBH) Mental Health Services.

The projected state and local offsets are summarized in Table 2 below. No cost offsets for the CAT fund and Local Medically Indigent claims are recognized until SFY 2022 because it is assumed to take approximately two years to phase down these programs after expansion. .

[1] https://www.bls.gov/eag/eag.id.htm

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Table 2 Idaho Department of Health and Welfare Total Projected State and Local Programs Offsets and Savings (Values in Millions)	SFY 2020	SFY 2021	SFY 2022	…	SFY 2030	Total
Projected State and Local Programs Offsets and Savings						
State Programs:						
CAT Program (State)	$0.0	$0.0	($10.7)		($14.6)	($113.1)
Substance Use Disorder Services (IDOC)	($2.4)	($4.9)	($4.9)		($4.9)	($51.0)
Behavioral Health (DHW)	($4.1)	($8.1)	($8.1)		($8.1)	($85.2)
Hospitalizations (IDOC)	($1.4)	($2.8)	($2.8)		($2.8)	($29.0)
DHW - DBH - Mental Health Services	($2.3)	($4.7)	($4.7)		($4.7)	($48.9)
Total State Offsets	($10.2)	($20.4)	($31.1)		($35.0)	($327.2)
Local Programs:						
Medical Indigent (Local)	$0.0	$0.0	($9.2)		($12.6)	($97.3)
Medical Ind (Local Admin)	$0.0	$0.0	$0.0		$0.0	$0.0
Total Local Offsets	$0.0	$0.0	($9.2)		($12.6)	($97.3)

Other issues not modeled: The issues highlighted below ***have not*** been included in the financial projections shown in our analysis.

- Changes to Medicaid eligibility levels for certain eligibility categories
- Reductions in DSH allotments
- Impact on other state agencies
- Economic ripple effect or multiplier
- Maintenance of effort
- Recidivism

The scope of our report is limited to a projection of the estimated financial impact of the voter initiated Medicaid expansion on the Idaho state budget with consideration to other state and local cost offsets. DHW can use the results of this report in its determination of the potential costs and benefits of expanding Medicaid coverage.

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II. DETAILED FINANCIAL PROJECTIONS

In its June 28, 2012 decision, the Supreme Court of the United States upheld most of the ACA, but gave States the flexibility to decide whether to expand Medicaid program eligibility for adults to 138% of FPL. In the fall of 2018, there will be a voter-initiated program on the ballot, which proposes to expand the Medicaid program eligibility. If approved this program is scheduled to go live on January 1, 2020. This report evaluates the financial impact of this voter-initiated program to expand Medicaid coverage.

Medicaid programs are funded jointly by state and federal governments. The Federal Medical Assistance Percentage (FMAP) will vary based upon the type of program and the year.[2] For the ten year estimate of costs for Medicaid expansion, a 90% FMAP was assumed (10% state share of total costs).

Table 3 on the following page summarizes total costs by SFY providing the breakdown for Idaho's direct expansion costs, state cost offsets, local cost offsets, and the federal costs for expansion. Federal costs do not include offsets for individuals qualifying for federal premium assistance in YHI who would become Medicaid eligible under expansion. Subtotals are provided for the impact of state funds, the impact of state and local funds and the total Net Cost for expansion as well as the total Gross Cost for expansion without consideration of the state and local offsets. As the program is modeled to start on January 1, 2020 the SFY 2020 only includes six months of cost and enrollment. In the development of our estimates, we have not assumed any ramp-up period for the Medicaid expansion population to reach steady-state enrollment. It is possible that enrollment and associated costs for SFY 2020 may be less than the values shown in Table 3 to the extent program enrollment occurs in a gradual manner.

The costs shown below are only those costs associated with program changes due to the expansion of Medicaid eligibility. We have not included current historical Medicaid costs in these tables. We are not estimating any impacts on the existing Medicaid population.

[2] Please read https://fas.org/sgp/crs/misc/R43847.pdf for additional information.

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Table 3
Idaho Department of Health and Welfare
Total Projected Additional State, Local, and Federal Costs <Savings> (Values in Millions)

Expansion with Projected Offsets

	Formula	SFY 2020**	SFY 2021	SFY 2022	SFY 2023	SFY 2024	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029	SFY 2030	Cumulative Total
Total Gross Cost Expansion	(a) = (b) + (c)	$199.6	$412.0	$439.5	$460.5	$476.7	$493.4	$510.7	$528.6	$547.2	$566.4	$586.2	$5,220.8
Federal Funds - Expansion	(b)	$179.0	$370.1	$394.9	$413.8	$428.3	$443.4	$459.0	$475.1	$491.8	$509.0	$526.9	$4,691.2
State Funds - Expansion	(c)	$20.6	$41.9	$44.6	$46.7	$48.4	$50.0	$51.8	$53.5	$55.4	$57.3	$59.3	$529.6
Projected State Offsets	(d)	($10.2)	($20.4)	($31.1)	($31.5)	($32.0)	($32.4)	($32.9)	($33.4)	($33.9)	($34.5)	($35.0)	($327.2)
State Funds - Expansion, Net State Offsets	(e) = (c) + (d)	$10.4	$21.5	$13.6	$15.2	$16.4	$17.6	$18.9	$20.2	$21.5	$22.9	$24.3	$202.4
Projected Local Offsets	(f)	$0.0	$0.0	($9.2)	($9.6)	($9.9)	($10.3)	($10.8)	($11.2)	($11.6)	($12.1)	($12.6)	($97.3)
State Funds - Expansion, Net State & Local Offsets	(g) = (e) + (f)	$10.4	$21.5	$4.4	$5.7	$6.5	$7.3	$8.1	$9.0	$9.9	$10.8	$11.7	$105.1
Federal Funds - Expansion	(h)	$179.0	$370.1	$394.9	$413.8	$428.3	$443.4	$459.0	$475.1	$491.8	$509.0	$526.9	$4,691.2
Total Net Cost Expansion:	(i) = (g) + (h)	$189.4	$391.6	$399.2	$419.5	$434.8	$450.6	$467.1	$484.0	$501.6	$519.8	$538.6	$4,796.3

**Only includes six months of claims cost for state fiscal year 2020.
Assums 90% FMAP for benefits for Expansion population.

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We estimate the total net financial impact of Medicaid expansion on the state of Idaho, after consideration of Medicaid expansion program costs and the projected state and local cost offsets from other programs for state fiscal years 2020 through 2030 to be an approximate cost of $105.1 million (‘State Funds – Expansion’ less ‘Projected State Offsets’ and ‘Projected Local Offsets’). Note our estimates include the costs and impacts for only 6 months of SFY 2020 assuming a January 1, 2020 effective date of expansion.

Table 4 shows the enrollment projections by FPL categories.

Table 4
Idaho Department of Health and Welfare
Estimated Impact on Projected 1/1/2020 Enrollment

Expansion (138% FPL)	<=100%	101-138%	Total
Total	59,000	32,000	91,000

Note that these enrollment projections assume the full impact of expansion in all years. After 2020, population growth factors are applied to the enrollment estimate over the horizon of the projection.

For individuals with income at or above 100% FPL, federal premium assistance to purchase non-group coverage offered on YHI is available (dependent upon other qualifying conditions being met) in the absence of Medicaid expansion. Additional take-up of Medicaid coverage (relative to non-group coverage) for this income cohort is assumed due to no assumed premium requirements for Medicaid coverage, very limited cost sharing, and lack of enrollment restrictions for individuals eligible for affordable employer-sponsored insurance[3].

The population with income below 100% FPL represents the “gap” population, individuals not eligible for Medicaid or federal premium assistance through YHI in the absence of Medicaid expansion. The estimated 2020 projected gap population enrolling under Medicaid expansion is approximately 59,000, reflective of adults in the <=100% FPL category. DHW’s current Medicaid eligibility extends to caregiver adults with low incomes. This population will be considered maintenance of effort and not part of expansion (regular state FMAP will still apply).

Note that we provided point estimates for both costs and enrollment changes. Actual results will vary from our projections for many reasons, including differences from assumptions regarding eligibility and take up rates, projected members by FPL levels, cost trends, enrollment trends, future FMAP rates, and state and local cost offsets, as well as other random and non-random factors such as economic conditions. Our estimates are based on the current federal reimbursement policy and does not consider changes to the FMAP. Please note that the FMAP assumption is a significant driver and slight changes to the FMAP will change results materially. Experience should continue to be monitored on a regular basis, with modifications to projections as necessary.

[3] Individuals eligible for affordable employer-sponsored insurance are not eligible for federal premium assistance through YHI.

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The estimate could result in higher and lower results if cost and enrollment assumptions differ. The following is a summary of a high-level sensitivity analysis testing the cost and enrollment assumptions:

- A 5% increase in either the baseline per capita cost *or* enrollment estimate increases the state funds expansion cost (net of state and local offsets) by approximately 25%.
- A 5% increase to both the baseline per capita cost *and* enrollment estimate increases the state funds expansion cost (net of state and local offsets) by approximately 50%.

Conversely, to the extent enrollment and/or per capita cost was less than our baseline assumptions, decreases in state funds expansion cost (net of state and local offsets) of a similar magnitude are estimated to occur.

The attached Exhibits 1 – 2 present the results of our projections in more detail:

> **Exhibit 1:** Impact of Expansion on Idaho Including State and Local Cost Offsets with Projected Offsets

> **Exhibit 2:** 2020 Projections of Cost and Membership Distributions by Age/Gender

The remaining sections of this report document our methodology and assumptions in more detail.

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III. METHODOLOGY AND KEY ASSUMPTIONS

In the development of these financial impact estimates, we created a model that projects enrollment and healthcare expenditures for the expansion population. The following summarizes the methods and key assumptions:

> We based our assumptions on a composite expansion experience over multiple years for multiple states adjusted to be consistent with the Idaho demographics, costs and covered services anticipated to be in effect on January 1, 2020. Please see the next section titled “Development of Medicaid Cost Estimates” for details of the development of the cost assumptions for Idaho.

> Key assumptions for this forecast are:
   - Projected state program offsets from DHW and Idaho Department of Corrections projected offsets for probationers, parolees, and hospital inpatient payments.
   - The Catastrophic Health Care Cost Program (CAT) and Local Medically Indigent Program offsets are trended 4.00% annually. All other state and local program offsets are trended at 0% annually. No cost offsets for these two programs are recognized until SFY 2022 because it is assumed to take approximately two years to phase down these programs after expansion.
   - 2018 SNAP enrollment data for Idaho
   - 2016 SNAP enrollment data and 2016 Medicaid Expansion enrollment data for Idaho and other states
     - Annual enrollment growth rate is 1.00%.
   - Medicaid Cost Estimates per member per month (PMPM) are trended 2.50% annually

DEVELOPMENT OF MEDICAID COST ESTIMATES

The starting SFY 2020 PMPMs are based on an actual expansion Medicaid medical and pharmacy benefit costs from several states adjusted for assumed Idaho age and gender mix and healthcare cost assumptions. Based on Idaho’s Medicaid cost experience for existing populations, we assumed an annual PMPM trend of 2.50% for the projection period. For the second and third years (2021 to 2022), we also increased the annual PMPM trend to account for the duration of enrollment from the program start. The rest of this section further explains the duration adjustment.

Prior to expansion a general assumption in Medicaid rate setting is that new enrollees have a period of pent-up demand and increase in cost followed by a lower steady state cost level. In practice for expansion populations, we have observed that for the first three years there is an increase in costs beyond normal trend. In the third year, costs have stabilized in the experience observed from other states. We have applied a factor based on the duration of enrollment for the population. For the purpose of the modeling exercise, we assume that all eligible members will be enrolled on January 1, 2020 and do not increase the cost for future new enrollee growth. We have observed in other state expansion populations a selection bias where the most acute members enroll first and healthier members follow. This is an additional consideration to the duration adjustment. For this modeling, we have not assumed any additional cost patterns for the phasing of the enrollment. If there were a ramp up in enrollment then the selection bias and duration of enrollment would vary by phase. Under the assumption of full enrollment in January 2020 all members, including population growth, are assumed to have the same average duration at any time.

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To develop the durational adjustment factors we adjusted expansion data from multiple states to be consistent with a scenario where all eligibles enrolled in the first month. The experience is also normalized to a consistent age/gender mix and trended to the same program starting date. This process allowed us to observe changes year over year for a population new to coverage. Based on this analysis we observed a second year increase of 5.63% and an additional increase of 3.92% going into the third year before stabilizing for future years. These increases are outside of normal utilization and cost trends assumed for these Medicaid populations. We assume further that the durational adjustments do not apply to the portion of population over 100% FPL since these members are likely getting care through YHI with limited pent up demand. The resulting increases applied to the aggregated expansion base experience are 3.67% in the second year and 2.55% in the third year. Table 5 shows the calculation of the duration factors:

Table 5
Idaho Department of Health and Welfare
Duration Factor

	0-100%	100-138%	Total*
2016 Expansion Enrollment Distribution	65%	35%	100%
Second Year Adjustment	1.0563	1.0000	1.0367
Third Year Adjustment	1.0392	1.0000	1.0255
Years 4+	1.0000	1.0000	1.0000

*The final duration factor used in the projection is a weighted average of the duration factors by FPL.

Exhibit 2 summarizes the estimated SFY 2020 cost PMPMs. These PMPM costs are based on the multi-state experience adjusted for Idaho demographics, services, and costs. After adjusting for enrollment duration for the first three years, the forecast PMPM cost trend for years 2023 to 2030 is a 2.50% annual PMPM rate. This annual PMPM rate increase is based on Idaho's Medicaid experience.

Table 6 summarizes the adjustments used to project costs in expansion:

Table 6 – Composite Adjustment for Duration

Year	Annual Trend Factor	Duration Factor	Composite Adjustment
	(A)	(B)	(C)=(A)x(B)
CY 2020	1.0000	1.0000	1.0000
CY 2021	1.0250	1.0367	1.0626
CY 2022	1.0250	1.0255	1.0512
CY 2023+	1.0250	1.0000	1.0250

These adjustment factors reflect both the trend and duration adjustment applied to the cost from the prior year.

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MEDICAID EXPANSION ENROLLMENT

The fiscal impact associated with the Medicaid expansion includes currently insured and uninsured adults who are not currently enrolled or eligible in Medicaid.

We relied on 2016 through 2018 SNAP data Idaho as a starting point to estimate the Medicaid expansion population. In order to project the total enrolled expansion population, we calculated and applied a SNAP non-elderly adult population to ultimate Medicaid expansion enrollment factor based on 2016 data from the following states: Arkansas, Indiana, Kentucky, Louisiana, and Montana. These states were selected based on similar eligibility criteria for Idaho's currently eligible Medicaid populations. The following steps through the calculation for 2020 projected expansion enrollment:

1. DHW reported approximately 63,000 non-elderly adults receiving SNAP in 2018.
2. Based on a collection of other states' 2016 non-elderly adult SNAP and Medicaid expansion enrollment data, we calculated the SNAP population to ultimate Medicaid expansion enrollment factor and adjusted the starting known Idaho SNAP enrollment by 139%.
3. The 2018 projected enrollment is calculated by multiplying the starting known adults by the SNAP to Ultimate Medicaid expansion factor = 63,000 x (139%) = 88,000 (rounded)
4. We apply a 1.0% annual population growth increase for 4 years and the 2020 projected enrollment is approximately 91,000 .

The projected estimate is based on Idaho's current economic environment and assumes current economic conditions will be the same for the projection period. Changes in the economy (e.g. unemployment rates) could significantly impact the projected expansion enrollment estimate.

DHW provided a list of 73,000 known individuals that would qualify for Medicaid expansion and met one of the following criteria:

- Individuals currently receiving SNAP;
- Individuals with income below 100% FPL that were denied federal premium assistance and did not qualify for SNAP; and,
- Individuals enrolled in YHI with income between 100% and 138% FPL receiving federal premium assistance.

For the purposes of estimating the mix of individuals qualifying for Medicaid expansion (age/gender, income), we assumed the demographics of expansion enrollees would be consistent with the collective demographics of the above population cohorts.

Idaho's current Medicaid income eligibility standards for healthy adults are summarized below:

- Parents (Caregiver): ~26% of FPL
- Childless adults (Non-caregiver): not covered

Implementation of the expansion program would increase all of the FPL limits listed above to at least 138% of FPL.

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INCREASED ADMINISTRATIVE EXPENDITURES

In addition to the expenditures associated with providing medical services to the expansion population, the state of Idaho will incur additional administrative expenditures related to expansion. DHW provided us with estimates for the one-time and ongoing administrative costs for SFY2020. We assumed that the one-time administrative costs would be incurred in SFY2020.

DHW indicated a 0.00% trend of the ongoing expansion administrative load is a reasonable assumption.

OTHER ASSUMPTIONS

We used the following key assumptions in our analysis:

FMAP Rates by State Fiscal Year (SFY):

We assumed expansion FMAP benefits to be 90% in SFY2020 – SFY2030.

Projected State and Local Cost Offsets:

The state of Idaho has several state and local programs (not funded by federal dollars) that assist the medical needs of those not eligible for other form of health insurance in the state. The DHW provided us with the assumptions for how Medicaid expansion would reduce the cost for these programs as well as providing the projected cost for all state and local programs. The largest cost offset or savings with the Medicaid expansion are from the Local Medically Indigent and Catastrophic Health Care Cost (CAT) programs. Based on information provided by DHW, we assumed that the projected costs for Local Medically Indigent programs and the State CAT program would be reduced for these populations under Medicaid expansion.

We reflected the costs for CAT as a State offset separately from the local offset of the Local Medically Indigent programs. The CAT offset assumption is a 50% reduction in claims and administrative costs. The Local Medically Indigent offset assumption is a 50% reduction in claims. Based on discussions with DHW, the Local Medically Indigent and CAT program offsets are assumed to begin in SFY 2022. because it is assumed to take approximately two years to phase down these programs after expansion. It is important that the budgets for these programs be monitored.

DHW has indicated that the Local Medically Indigent and CAT programs are not going to be eliminated because in order for these programs to be eliminated, changes will need to be made at the state level.

In addition to these primary offsets, DHW identified other programs that could generate savings under the scenario of Medicaid expansion. We assumed that all of these savings opportunities for IDHW Department Behavioral Health (DBH) Behavioral Health and Mental Health Services as well as Department of Corrections (IDOC) would be achieved.

The estimate could result in higher and lower results if state and local offsets assumptions differ. The following is a summary of a high-level sensitivity analysis testing these assumptions:

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- No state and local offsets relating to the CAT and Local Medically Indigent program increases the state funded expansion costs (net of all other state and local offsets) by approximately 200%.
- Assuming the full phase down of the CAT and Local Medically Indigent program for SFY 2022 and beyond will create enough in state and local savings to cover the state costs relating to Medicaid expansion to generate an estimated savings to the state of approximately $150M.

Division of Behavioral Health Projected Offsets:

The Division of Behavioral Health (DBH) will also experience direct savings and cost offsets under an expanded Medicaid benefit. Based on a recent review, which is consistent with earlier findings by the Leavitt Partners estimates, approximately 93% the population served by DBH would be newly Medicaid eligible under an expanded program. Therefore, 93% of those served in DBH with largely general funds would have the opportunity to receive services funded through Medicaid. Additionally, DBH's base appropriation contains $2.3 million (six month cost offset) in state general funds for the 2020 fiscal year and $4.7M (twelve month cost offset) for each fiscal year from 2021 to 2030 for treatment services to the felony probation and parole population in Idaho under the Justice Reinvestment Initiative. This general fund appropriation would be largely offset with expansion as nearly all of the probation and parole population would qualify under an expanded Medicaid benefit.

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IV. OTHER IMPACTS NOT MODELED

The following outlines additional financial impacts under the current provisions of the federal legislation. The issues highlighted below ***have not*** been included in the financial projections shown in our analysis.

- **Changes to Medicaid Eligibility Levels for Certain Eligibility Categories:** Several states evaluated whether to reduce eligibility levels for certain Medicaid beneficiaries starting on January 1, 2014, such as pregnant women and breast and cervical cancer program enrollees, due to the availability of subsidized coverage through the insurance marketplace (YHI in Idaho). We assumed that DHW would maintain its current 138% of FPL eligibility level for pregnant women and continue to operate the breast and cervical cancer program.

- **Reductions in DSH Allotments:** Legislation delayed Medicaid Disproportionate Share (DSH) funding reductions until 2020. Changes to DSH funding are not part of our analysis.

- **Impact on Other State Agencies:** We did not consider the impact of the ACA on any other Idaho state agencies other than DHW, except for the limited considerations on the Catastrophic Health Care Program and the Department of Correction. We did not analyze the impact of recidivism on the Department of Corrections.

- **Economic Ripple Effect or Multiplier:** We did not consider the multiplied impact of the additional state and federal dollars spent in the state.

- **Maintenance of Effort:** We did not consider the impact of Maintenance of Effort (MOE) requirements. Our model assumes the federal government will modify or waive current MOE requirements in place for the Department's Behavioral Health programs.

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V. CAVEATS AND LIMITATIONS

This report is intended for the internal use of the Idaho Department of Health and Welfare (DHW) in accordance with its statutory and regulatory requirements. Milliman recognizes that the materials may be public records subject to disclosure to third parties; however, Milliman does not intend to benefit, and assumes no duty or liability to, any third parties who receive this report and related materials. The materials should only be reviewed in their entirety. Any user of this report should possess a certain level of expertise in actuarial science and healthcare modeling so as not to misinterpret the data presented.

In the development of the data and information presented in this report, Milliman relied upon certain data from the state of Idaho and its vendors. In addition, we placed significant reliance on SNAP and Medicaid expansion data made publicly available by the federal government. To the extent that the data was not complete or accurate, the values presented in the report will need to be reviewed for consistency and revised to meet any revised data. Although we performed several reasonableness checks we have not audited these data sources. The data and information included in this report was developed to assist in the analysis of the financial impact of Medicaid expansion on state of Idaho. The data and information presented may not be appropriate for any other purpose. It should be emphasized that the results presented in this correspondence are a projection of future costs based on a set of assumptions. Results will differ if actual experience is different from the assumptions contained in this report.

While we believe our estimates are reasonable, actual costs for the Medicaid expansion are dependent upon numerous factors and are certain to vary from the estimates provided in this report.

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors of this report are all members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

This analysis – the assumptions, methodology, and calculations – has been thoroughly peer reviewed by qualified actuaries as of July 19, 2018. The terms of Milliman's contract with Boise State University and Boise State University's contract with the Idaho DHW, dated July 1, 2015 both apply to this report and its use.

This report assumes that the reader is familiar with the state of Idaho's Medicaid program and federal healthcare reform. The report was prepared solely to provide assistance to DHW to model the financial impact of federal healthcare reform provisions. It may not be appropriate for other purposes. Milliman does not intend to benefit, and assumes no duty or liability to, other parties who receive this work. This material should only be reviewed in its entirety.

Exhibit 1

Impact of Expansion on Idaho Including State and Local Cost Offsets with Projected Offsets

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Exhibit 1
STATE OF IDAHO
Idaho Department of Health and Welfare
Expansion Projection
Total Projected State, Local, and Federal Costs <Savings>
State, Local, and Federal Dollars Only (Values in Millions)

Expansion	SFY 2020**	SFY 2021	SFY 2022	SFY 2023	SFY 2024	SFY 2025	SFY 2026	SFY 2027	SFY 2028	SFY 2029	SFY 2030	Total
Expansion State Spending:												
Optional Expansion Claim State Costs:	$19.7	$40.9	$43.7	$45.8	$47.4	$49.1	$50.8	$52.6	$54.5	$56.4	$58.4	$519.3
Administration (DHW) State Costs*:	$1.0	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$0.9	$10.3
Total Additional Expansion State Costs	$20.6	$41.9	$44.6	$46.7	$48.4	$50.0	$51.8	$53.5	$55.4	$57.3	$59.3	$529.6
Projected State and Local Programs Offsets and Savings												
CAT Program (State)	$0.0	$0.0	($10.7)	($11.1)	($11.6)	($12.0)	($12.5)	($13.0)	($13.5)	($14.1)	($14.6)	($113.1)
Medical Indigent (Local)	$0.0	$0.0	($9.2)	($9.6)	($9.9)	($10.3)	($10.8)	($11.2)	($11.6)	($12.1)	($12.6)	($97.3)
Medical Indigent (Local Admin)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Substance Use Disorder Services (IDOC)	($2.4)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($4.9)	($51.0)
Behavioral Health (DHW)	($4.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($8.1)	($85.2)
Hospitalizations (IDOC)	($1.4)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($2.8)	($29.0)
DHW - DBH - Mental Health Services	($2.3)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($4.7)	($48.9)
Total State and Local Offsets:	($10.2)	($20.4)	($40.3)	($41.1)	($41.9)	($42.8)	($43.7)	($44.6)	($45.5)	($46.6)	($47.6)	($424.5)
Grand Total - Net State & Local (Total Costs) Spending <Savings>	$10.4	$21.5	$4.4	$5.7	$6.5	$7.3	$8.1	$9.0	$9.9	$10.8	$11.7	$105.1
Expansion Federal Spending:												
Optional Expansion Claim Federal Costs:	$176.9	$368.5	$393.3	$412.2	$426.8	$441.8	$457.4	$473.5	$490.2	$507.5	$525.4	$4,673.4
Administration (DHW) Federal Costs*:	$2.1	$1.6	$1.6	$1.6	$1.6	$1.6	$1.6	$1.6	$1.6	$1.6	$1.6	$17.9
Total Additional Expansion Federal Costs	$179.0	$370.1	$394.9	$413.8	$428.3	$443.4	$459.0	$475.1	$491.8	$509.0	$526.9	$4,691.2
Grand Total - Net State, Local, and Federal (Total Costs) Spending <Savings>	$189.4	$391.6	$399.2	$419.5	$434.8	$450.6	$467.1	$484.0	$501.6	$519.8	$538.6	$4,796.3

Assumes one-time administration costs are all incurred in state fiscal year 2020. Medical Indigent is a local offset. DHW indicated the administrative loads are reasonable assumptions. For the purpose of this forecast they have assumed these additional administrative costs would have a blend FMAP rate of 68% in SFY 2020 and 63% for SFY 2021-2030. CMS has issued communications that certain administrative costs associated with the expansion population are eligible for an enhanced FMAP rate of 75%.

*****Only includes six months of claims cost for state fiscal year 2020.*****

Exhibit 2

2020 Projections of PMPM Cost and Membership Distributions by Age/Gender

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Exhibit 2

Idaho Department of Health and Welfare

Projected SFY2020 PMPM Costs by Age/Gender Band

	Medicaid Benefit PMPM	
Age Band	Male	Female
19 to 34	$212.83	$231.37
35 to 64	$469.42	$483.14

Membership Distribution (Up to 138% FPL)

Age Band	Male	Female
19 to 34	22%	24%
35 to 64	26%	28%