SC Legislative Black Caucus
Affordable Care Act

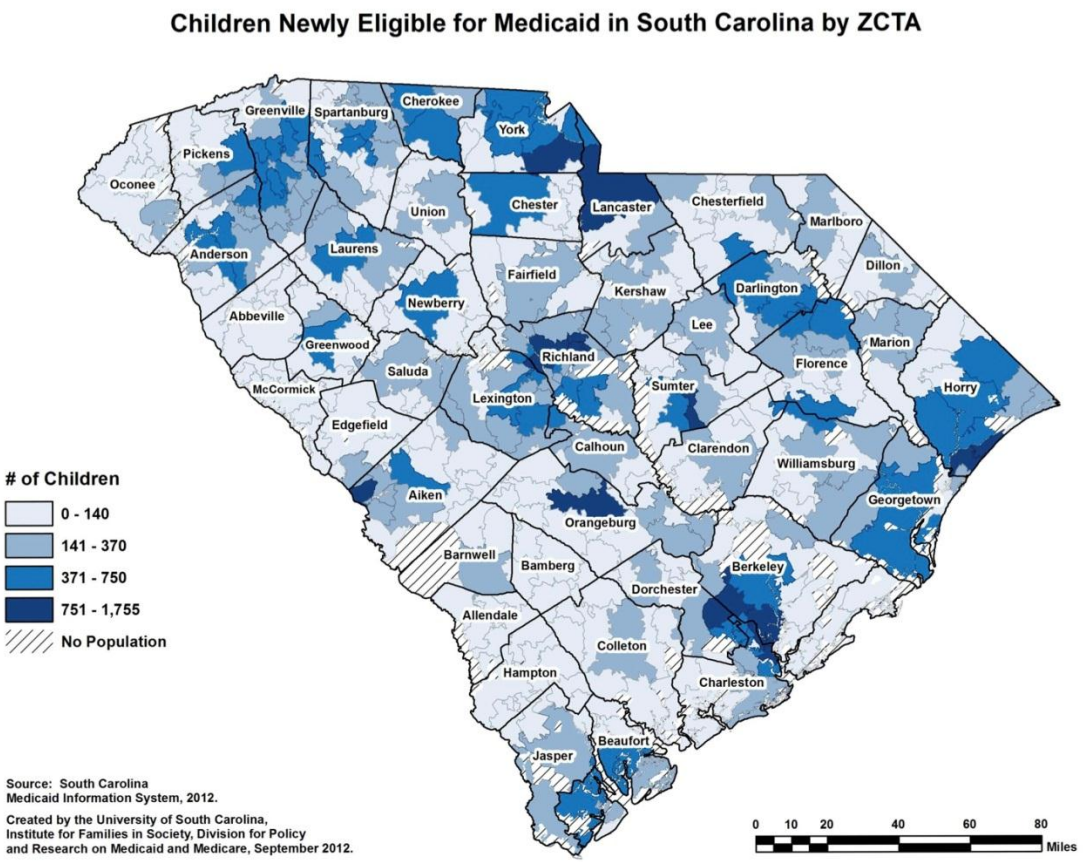
South Carolina
Department of Health and Human Services

December 13, 2012

Many estimates are preliminary projections as of November 2012 and not considered final. These estimates may change as more state and federal data and guidance becomes available.

Express Lane Eligible Children

South Carolina Health & Human Services



45,000 children have been enrolled in the past 6 weeks through Express Lane Eligibility

Last year 140,000 kids became ineligible for at least one day

150,000 ELE redeterminations have essentially eliminated this problem

Some of the biggest gains are in hot spots of poor health

SC Medicaid: A Growing Investment

South Carolina Health & Human Services

- FY 2013: $1.882 billion State and Other Funds; $4.063 billion Federal Funds; $5.946 Total Funds
- FY 2013: The Medicaid budget represents about 18% of SC's State Funds and 25% of Total Funds
- FY 2013: June 30th projected enrollment of 1,034,304
- FY 2014: 5.1% growth in member months without ACA's Medicaid expansion

22.4% of South Carolinians are currently enrolled in Medicaid

Pays for more than half of South Carolina births

Covers 40% of the state's children

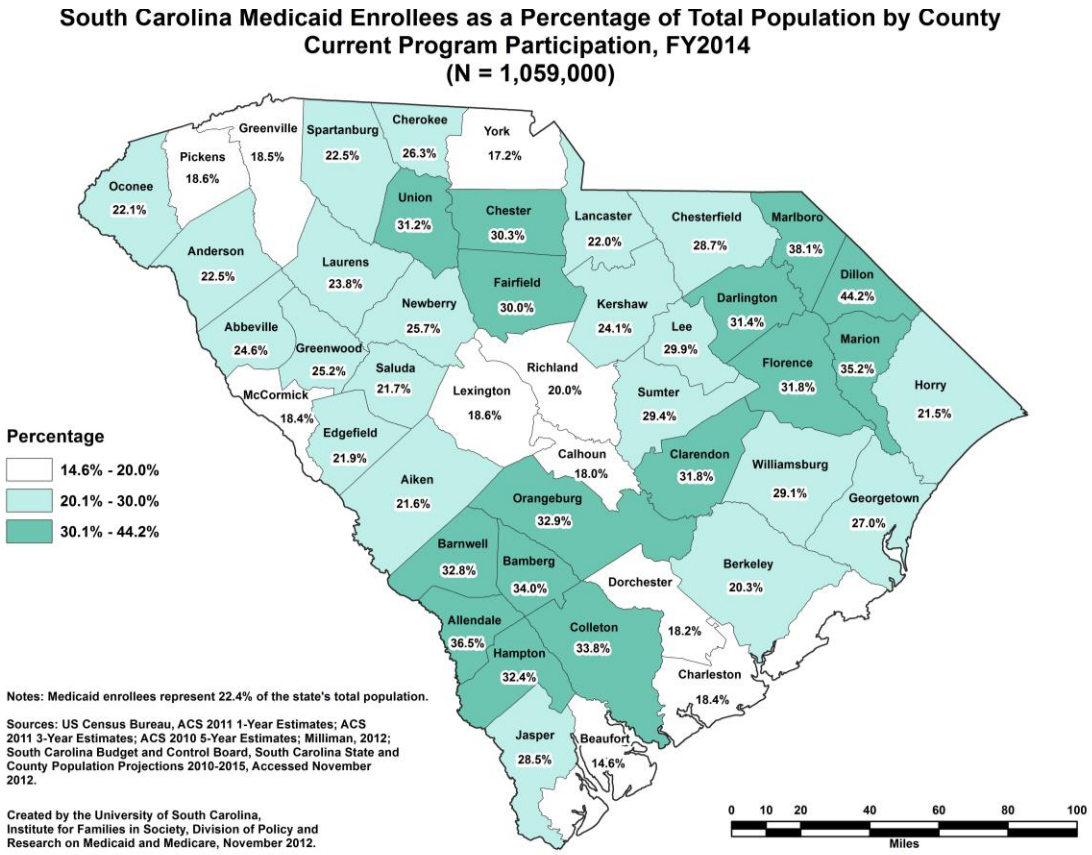
Contracts with 82% of the state's nursing homes, and pays for 70% of the people in those facilities

Supplements Medicare for 130,000+ dual eligibles

Source: Projected Enrollment from Milliman Spring 2012 Forecast

SC Medicaid: Penetration by County

South Carolina Health & Human Services

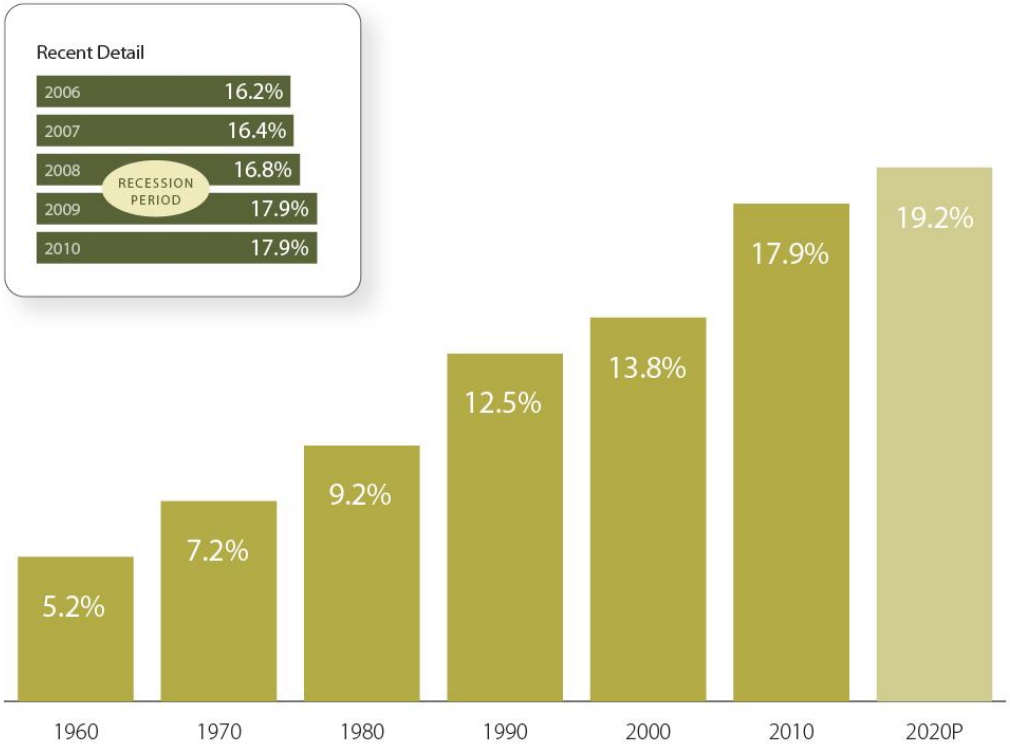


The largest percent of total population covered is in the more rural counties:

- ***Dillon***
- ***Marlboro***
- ***Marion***
- ***Allendale***
- ***Colleton***
- ***Bamberg***

US Health Spending as a Share of GDP 1960 to 2020, Selected Years

South Carolina Health & Human Services



Notes: Health spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act. 2010 figure reflects a 4.2% increase in GDP and a 3.9% increase in national health spending. CMS projects national health spending will also have accounted for 17.9% of GDP in 2011 and 2012.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data, 2012 release.

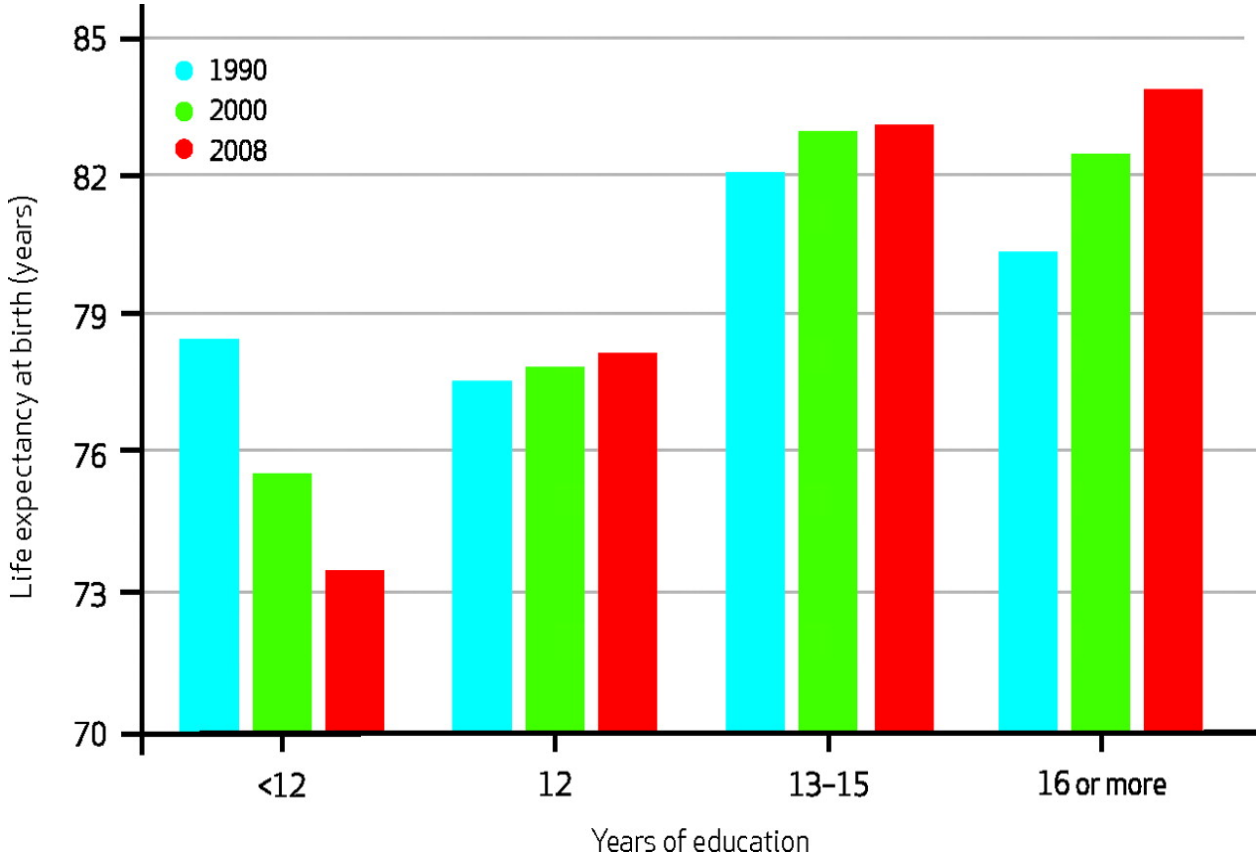
Increases in overall health care spending are outpacing increases in population and US economic growth

A large portion of our economy is devoted to health care spending year after year

US is Falling Behind in Life Expectancy

South Carolina Health & Human Services

Life expectancy for white women by years of education



In 1950 US life expectancy ranked 12th at 68.9 years

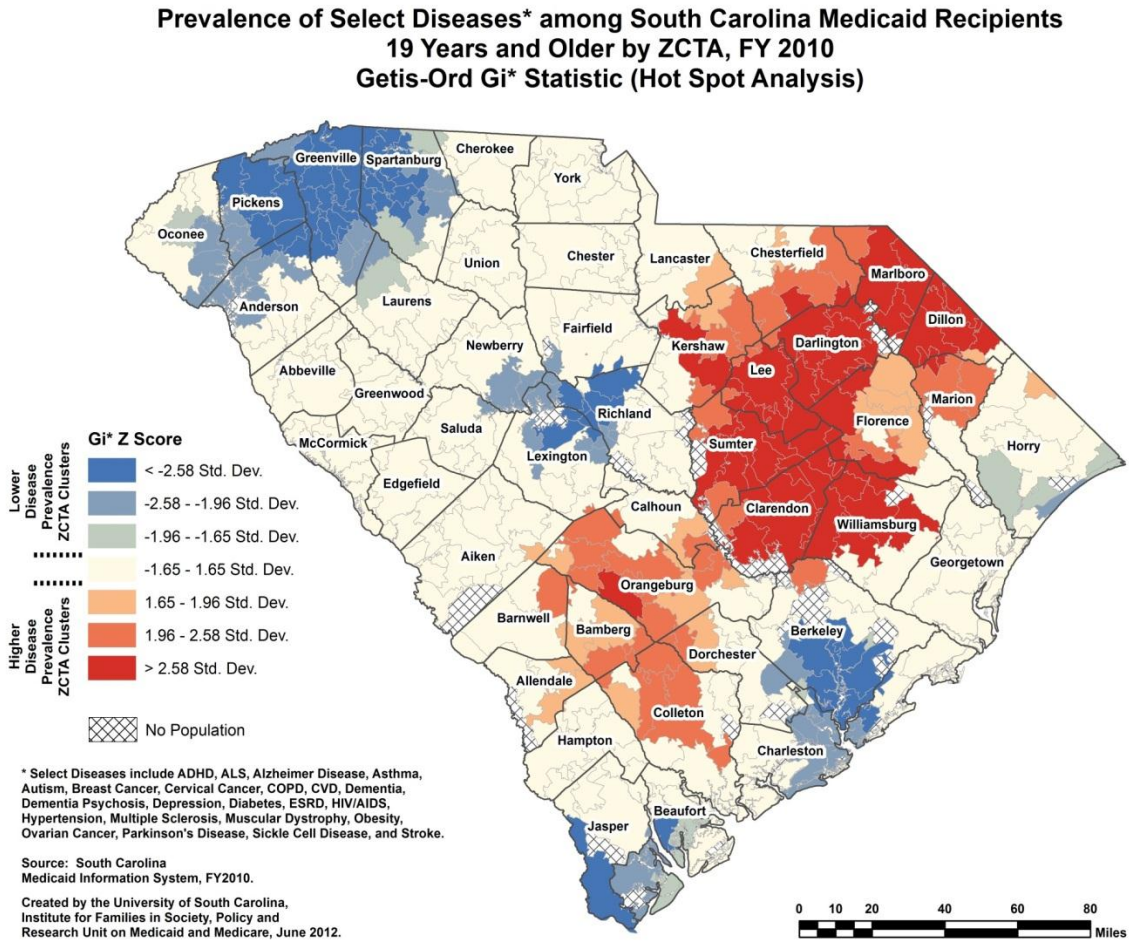
In 2009 the US ranked 28th at 79.2 years

In 2007 South Carolina ranked 42nd in the US at 76.6 years

Disturbing disparities exist and for certain groups life expectancy has actually fallen in the past 2 decades

Targeting Health Investments

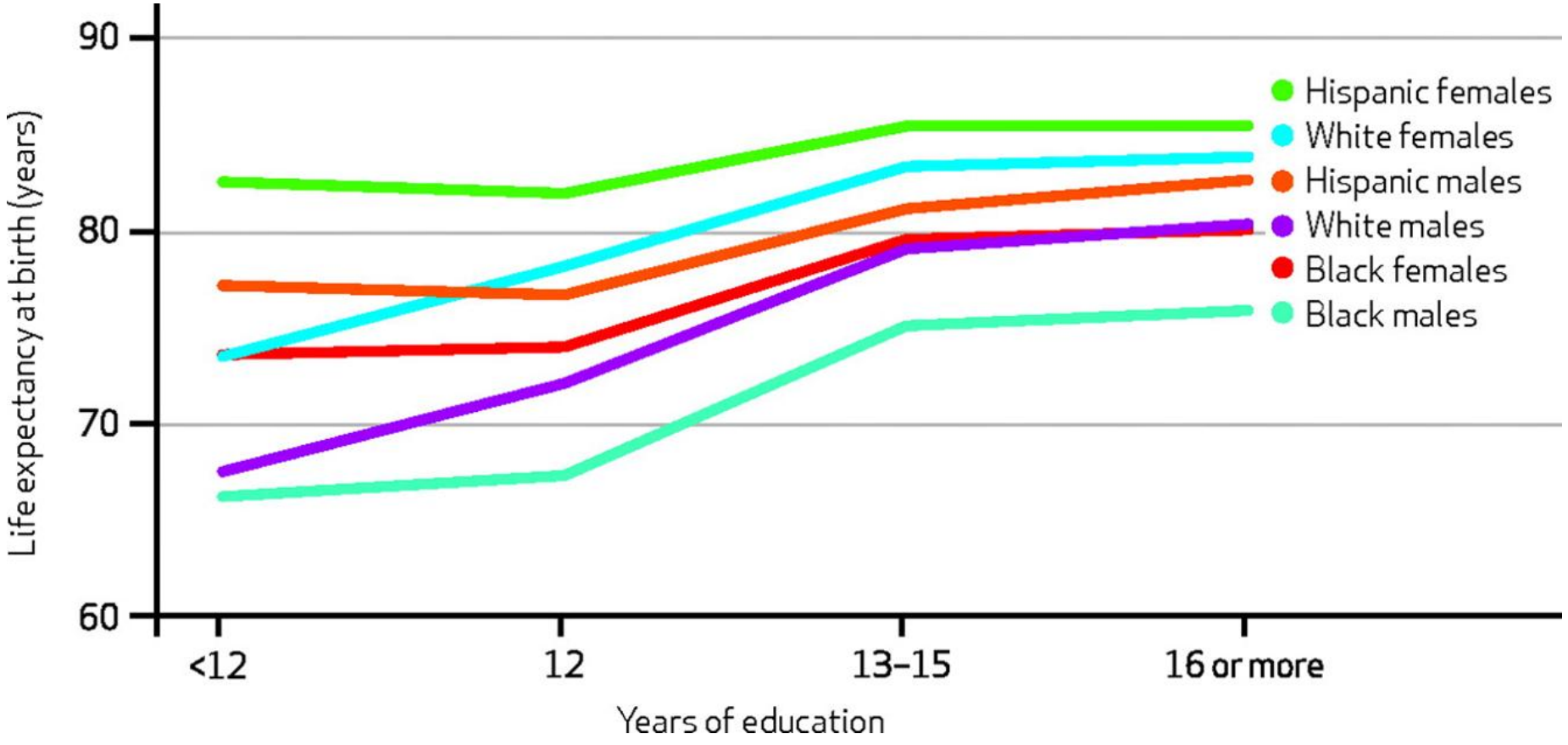
South Carolina Health & Human Services



ACA expansion sends much more money into counties that are relatively healthy than it does to counties that are relatively unhealthy

Disparities in Life Expectancy Persist

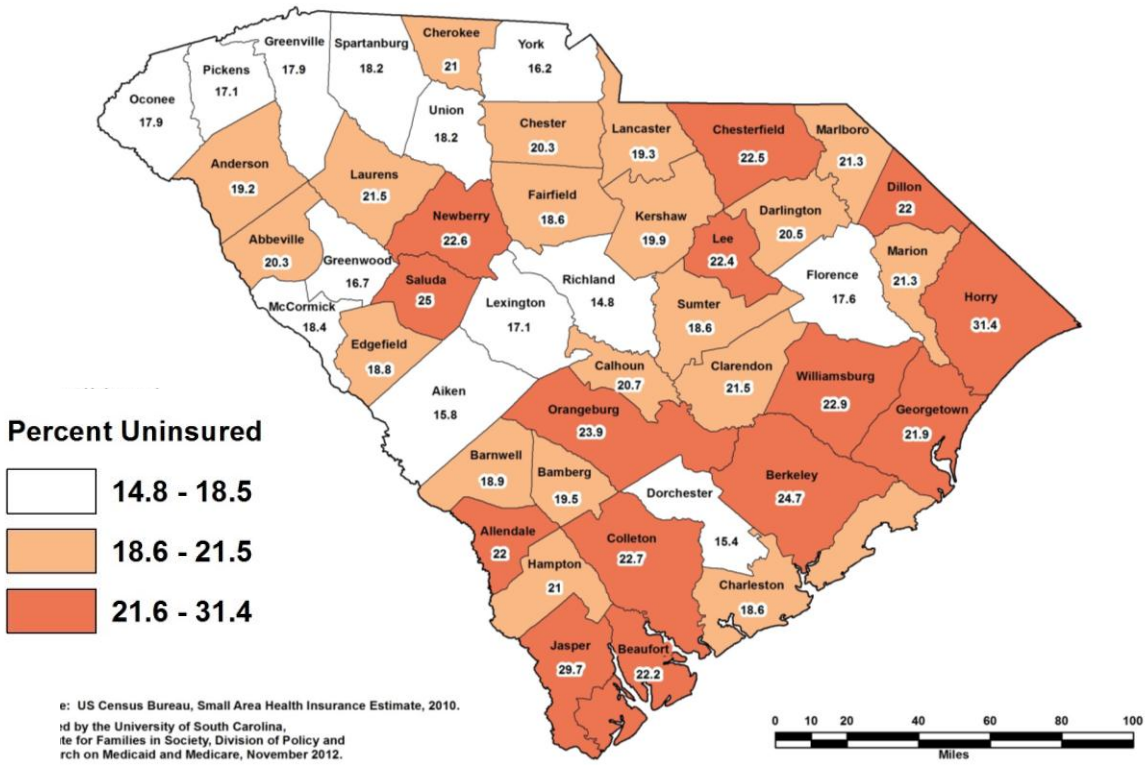
South Carolina Health & Human Services



Percent of Persons Ages 0-64 Who Are Uninsured by County

South Carolina Health & Human Services

(N=764,183)



Source: US Census Bureau, Small Area Health Insurance Estimate, 2010. Created by the University of South Carolina, Institute for Families in Society, Division of Policy and Research on Medicaid and Medicare, November 2012.

The county percentage of the total uninsured population ranges from a low of 14.8% to a high of 31.4%

Counties with Highest % of Total Uninsured: Horry County (31.4%); Jasper County (29.7%); Saluda (25.0%)

Counties with Lowest % of Total Uninsured: Richland (14.8%); Dorchester (15.4%); Aiken (15.8%)

The Uninsured in SC

South Carolina Health & Human Services

ACA's optional Medicaid expansion would cover up to 138% FPL

FPL	<100% FPL	100% FPL to 138% FPL	139% FPL to 200% FPL	201% FPL to 399% FPL	>400% FPL
2012 Annual Income - Family of 4	<$23,050	$23,051 to $31,809	$31,810 to $46,100	$46,101 to $69,150	>$69,150
Uninsured	284,000	106,000	131,000	127,000	83,000
% of Uninsured	39%	15%	18%	17%	11%

* Source: 2011 American Communities Survey, projected to 2014

Supreme Court Summary

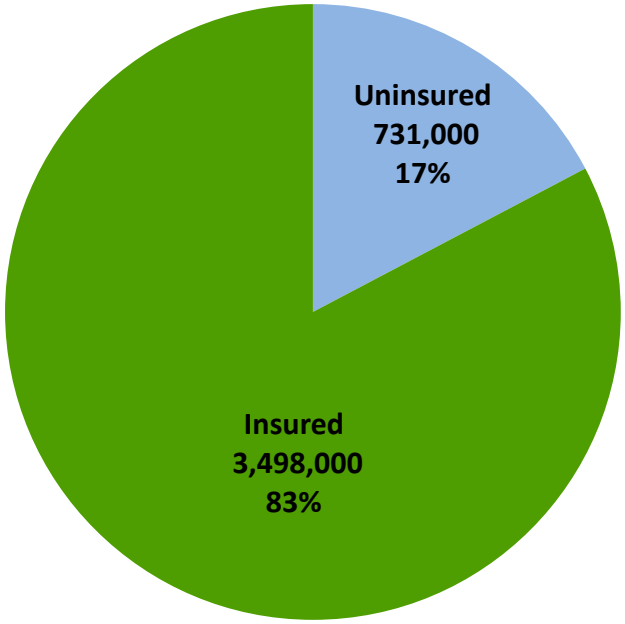
South Carolina Health & Human Services

- Individual mandate remains standing under Congress' taxing authority
- Exchanges, premium tax credits, insurance rules, Co-ops and other programs still stand
- Medicaid expansion is now optional for each state
- Subsidies are available to individuals from 100% FPL and above

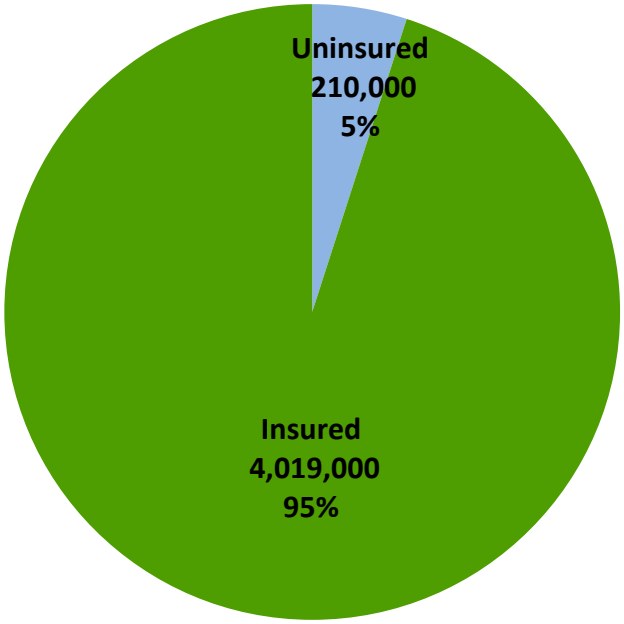
ACA Impact on South Carolina Uninsured without Expansion

South Carolina Health & Human Services

Pre-ACA: 2013 Uninsured



Post-ACA: 2014 Projected Uninsured



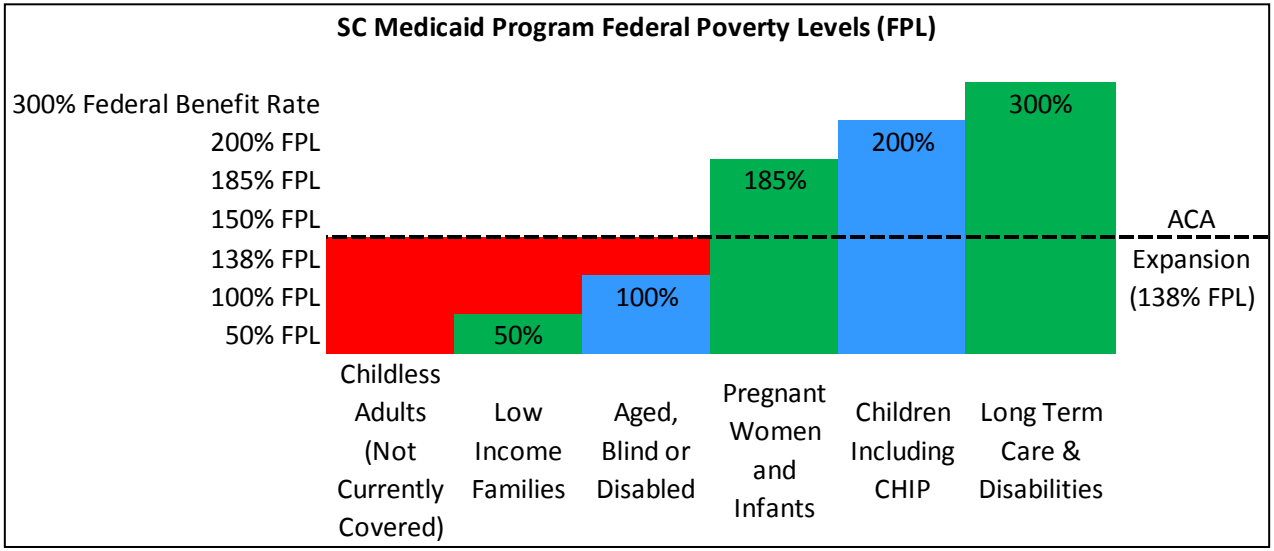
By 2015

Significant growth will occur in the number of insured adults in both the Medicaid and private market

The system will have a difficult time absorbing this growth – it may require between 250-300 full-time physician equivalents

ACA's Medicaid Expansion: A New Eligibility Floor

South Carolina Health & Human Services



The red areas represent the population that would be covered by ACA's optional Medicaid expansion

Medicaid Expansion in SC: 1.7 Million Enrollees by 2020

South Carolina Health & Human Services

Projected Enrollment Growth				
Population		**FY 2013**	**SFY 2014**	**FY 2020**
Current Programs				
	Medicaid	938,000	985,000	1,077,000
	CHIP	70,000	74,000	80,000
Total Current Programs		**1,008,000**	**1,059,000**	**1,157,000**
After ACA - 67% Average Participation				
Expansion Population (Newly Eligible)				
	Uninsured Parents/Childless Adults		252,000	267,000
	Currently Insured Parents/Childless Adults		92,000	98,000
	SSI		7,000	8,000
Eligible but Unenrolled in Medicaid*				
	Currently Insured Children/Parents		101,000	107,000
	Uninsured Children		13,000	14,000
	Uninsured Parents		48,000	51,000
Total Expansion from ACA Participants			**513,000**	**545,000**
Total Medicaid Population After ACA		**1,008,000**	**1,572,000**	**1,702,000**

* Estimates indicate that 162,000 people currently eligible but unenrolled will enroll in Medicaid even without the Medicaid expansion

Source: Milliman ACA Impact Analysis

If SC Chooses to Expand Medicaid:

193,000 could drop private insurance to go on Medicaid

Over 50% increase in SC Medicaid program if the state expands Medicaid

One-third of the state could be on Medicaid in the coming years

New FMAP Rates for Optional Expansion

South Carolina Health & Human Services

Year	Federal Medicaid Match for "Newly Eligible"	State Share for "Newly Eligible"	Administrative Match
2014-2016	100%	0%	50%
2017	95%	5%	50%
2018	94%	6%	50%
2019	93%	7%	50%
2020 on	90%	10%	50%

States pay for half the administrative costs for a Medicaid Expansion

States continue with regular match rate for those eligible but not enrolled

President's budget has suggested changes to these matching rates to obtain savings

Current Medicaid needs $2.4B more 2014-2020
Expanding costs an additional $613M to $1.9B

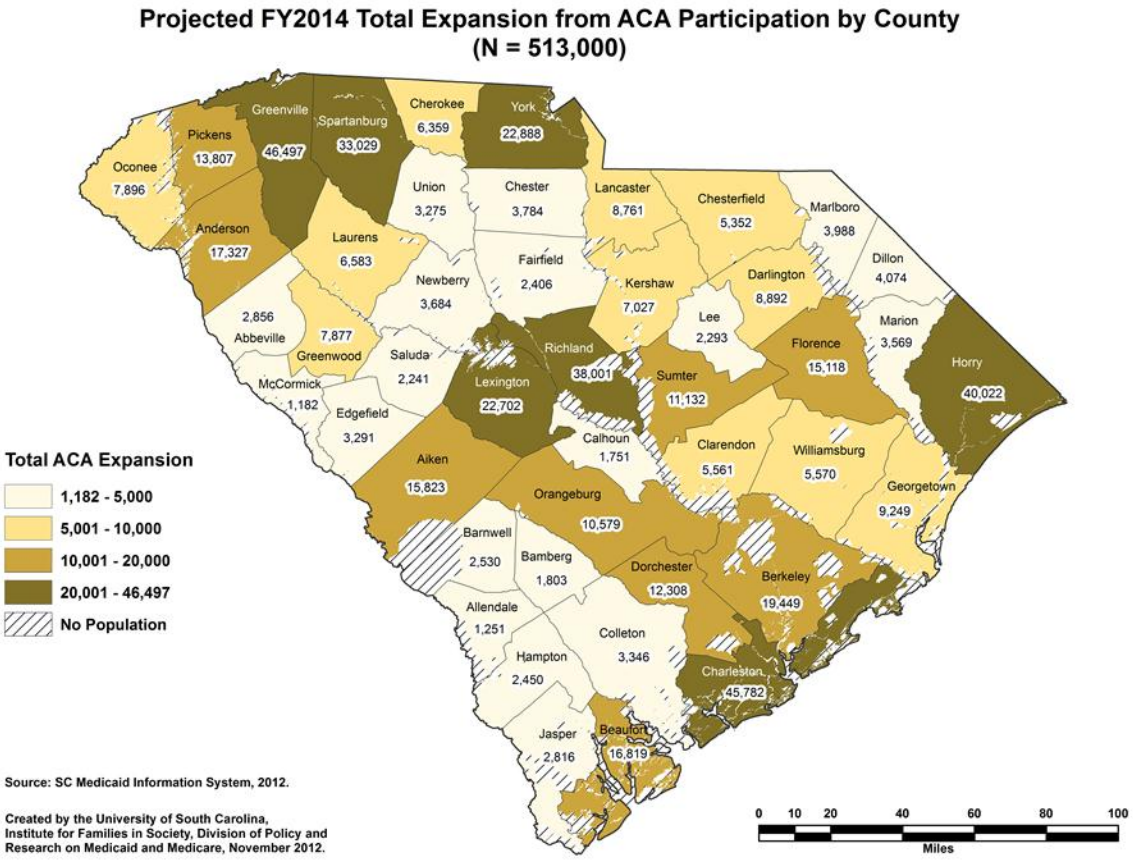
South Carolina Health & Human Services

November 2012 Medicaid Expansion Projections SFY 2014 to 2020 (in $ millions) - State Expenditures				
Category	**Without Expansion - Woodwork Effect (Best Estimate Participation)**	**Partial Expansion to 100% FPL (Best Estimate Participation)**	**Full Expansion to 138% FPL (Best Estimate Participation)**	**Full Expansion to 138% FPL (100% Participation)**
Pre-ACA : Expected Program Growth	**$2,071.3**	**$2,071.3**	**$2,071.3**	**$2,071.3**
ACA Impact to Current Program				
Pharmacy Rebate Savings – MCO	**($477.3)**	**($477.3)**	**($477.3)**	**($477.3)**
DSH Payment Reduction	**($166.6)**	**($166.6)**	**($166.6)**	**($166.6)**
CHIP Program – Enhanced FMAP	**($128.6)**	**($128.6)**	**($128.6)**	**($189.9)**
ACA Impact - Currently Eligible				
Eligible but Not Enrolled - Uninsured	**$520.5**	**$520.5**	**$520.5**	**$746.6**
Eligible but Not Enrolled - Currently Insured	**$476.4**	**$476.4**	**$476.4**	**$790.3**
CHIP Program – Enhanced FMAP	**($66.3)**	**($66.3)**	**($66.3)**	**($97.9)**
ACA Impact - Expansion Population				
Expansion Population - Uninsured	**$0.0**	**$220.4**	**$330.3**	**$407.9**
Expansion Population - Currently Insured	**$0.0**	**$55.0**	**$120.6**	**$215.2**
SSI Eligible	**$0.0**	**$14.8**	**$14.8**	**$14.8**
Health Insurer Assessment Fee	**$138.0**	**$145.5**	**$149.7**	**$164.4**
Physician Fee Schedule Change	**$3.5**	**$3.5**	**$3.5**	**$3.6**
Expenditure Shift from Other State Agencies	**$0.0**	**$2.1**	**$3.5**	**$4.8**
Administrative Expenses	**$61.1**	**$142.9**	**$193.4**	**$285.5**
Sub-total	**$360.7**	**$742.3**	**$973.9**	**$1,701.4**
Non-Medicaid Other State Agency Offsets	**$0.0**	**($26.8)**	**($43.7)**	**($61.4)**
Sensitivity - Increase Physician Reimbursement to 100% Medicare	**$0.0**	**$610.5**	**$620.8**	**$665.1**
Sub-total	**$360.7**	**$1,326.0**	**$1,551.0**	**$2,305.1**
Post-ACA : Expected Program Growth	**$2,432.0**	**$3,397.3**	**$3,622.3**	**$4,376.4**

Source: Milliman ACA Impact Analysis

ACA's Optional Medicaid Expansion Enrollee Growth

South Carolina Health & Human Services



FY 2014: 513,000 new enrollees would come onto Medicaid under the best estimate scenario of full expansion

The largest increase in numbers (and money) flow into the metropolitan counties

DHHS Fundamental Strategy

South Carolina Health & Human Services

Improve value by lowering costs and improving outcomes:

- Increased investment in education, infrastructure and economic growth
- Shift of health care spending to more productive health and health care services
- Increased coverage/treatment of vulnerable populations

SC Strategic Pillars:

- ***Payment reform***
- ***Clinical integration***
- ***Focus on hot-spots and disparities***

South Carolina Strategic Pillars

South Carolina Health & Human Services

Payment Reform
- MCO Incentives & Withholds
- Payor-Provider Partnerships
- Catalyst for Payment Reform
- Value Based Insurance Design

Clinical Integration
- Dual Eligible Project
- Patient Centered Medical Homes
- Telemedicine/Monitoring

Hotspots & Disparities
- Birth Outcomes Initiative
- Express Lane Eligibility
- Foster Care Coordination
- Health Access/Right Time (HeART)

Purchasing Quality Health Outcomes *(Social Determinants of Health)*

Pushing Out Excess Costs *(IOM: Health Care Inefficiencies)*

Providing Value to the Taxpayer

A Path Forward

South Carolina Health & Human Services

- Continue working on the three strategic pillars
- Manage mandated enrollment growth under ACA
- Set performance expectations for health system to improve value
- Look for flexible means of increasing high need coverage using future savings

The amount of implementation risk is significant

Just expanding coverage does not mean meaningful connection will be made between providers and patients

Projection risk is very high

A conservative approach is imperative

Questions?

How Will the Market Change with ACA's Optional Medicaid Expansion

South Carolina Health & Human Services

Category	Current Market	2014 No Expansion	2014 100% FPL Expansion	2014 133% FPL Expansion
Uninsured	731,000	210,000	42,000	42,000
Medicaid	1,059,000	1,228,000	1,438,000	1,572,000
Private Market	2,439,000	2,358,000	2,316,000	2,266,000
Exchange	0	433,000	433,000	349,000
Total	**4,229,000**	**4,229,000**	**4,229,000**	**4,229,000**

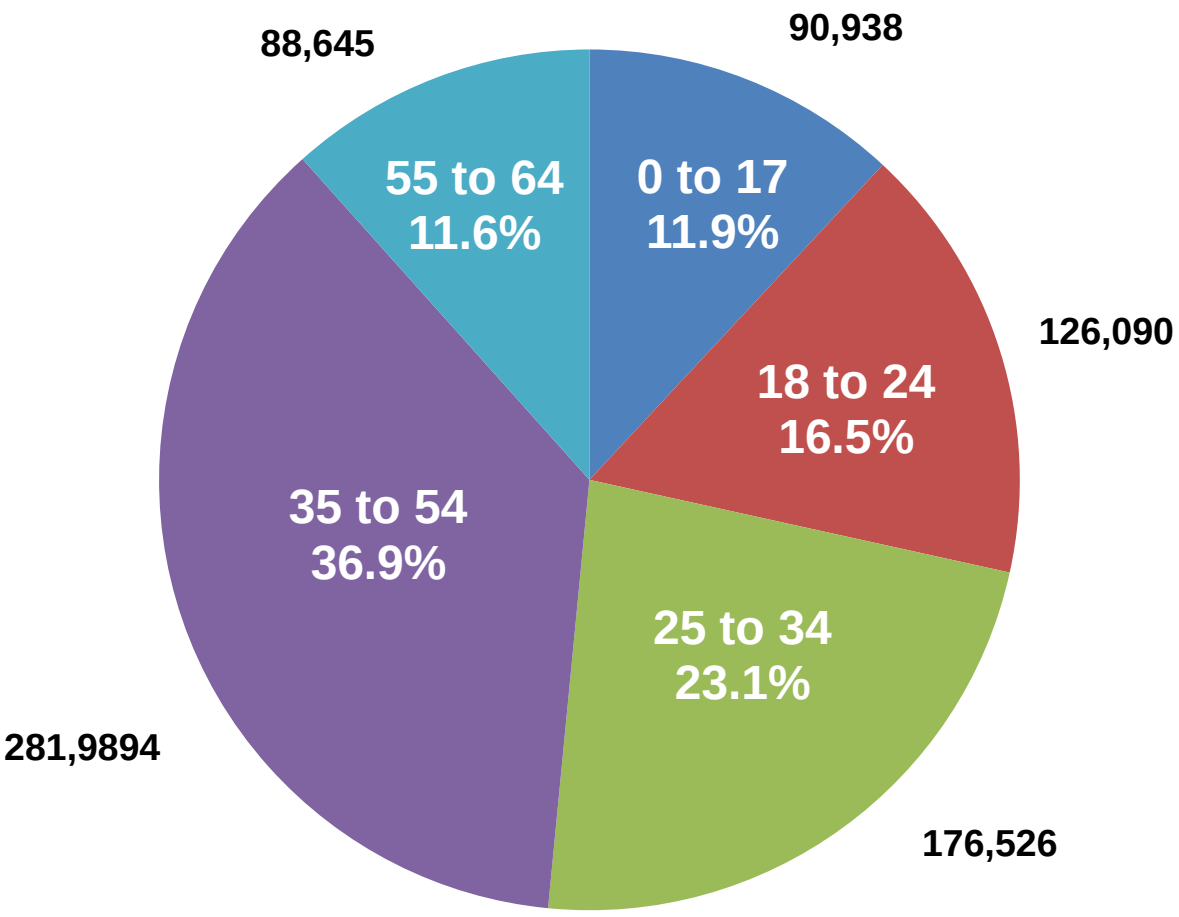
Source: 2011 American Communities Survey, projected to 2014

Significant growth will occur in the number of insured adults in both the Medicaid and private market

The number of uninsured in South Carolina will decrease by 71 percent (521,000) even without Medicaid expansion

Uninsured South Carolinians Ages 0–64 by Age

South Carolina Health & Human Services



Source: ACS 2011 1-Year Estimates (B27001)

60% of the uninsured population is between the ages 25 and 54 years.

Children birth to 17 years accounted for 11.9% of the uninsured population.

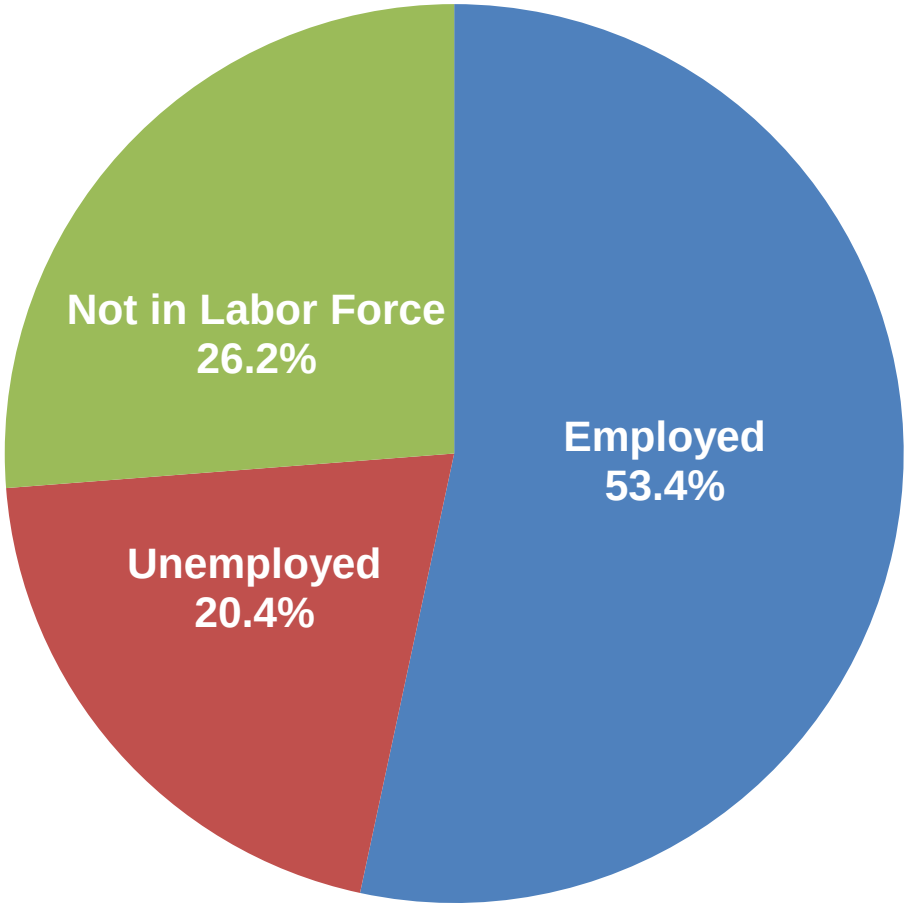
Adults ages 55 to 64 years comprised 11.6% of the population.

Young adults 18 to 24 years make-up 16.5% of the population.

Uninsured South Carolinians Ages 18 to 64 by Employment

South Carolina Health & Human Services

Total=672,992



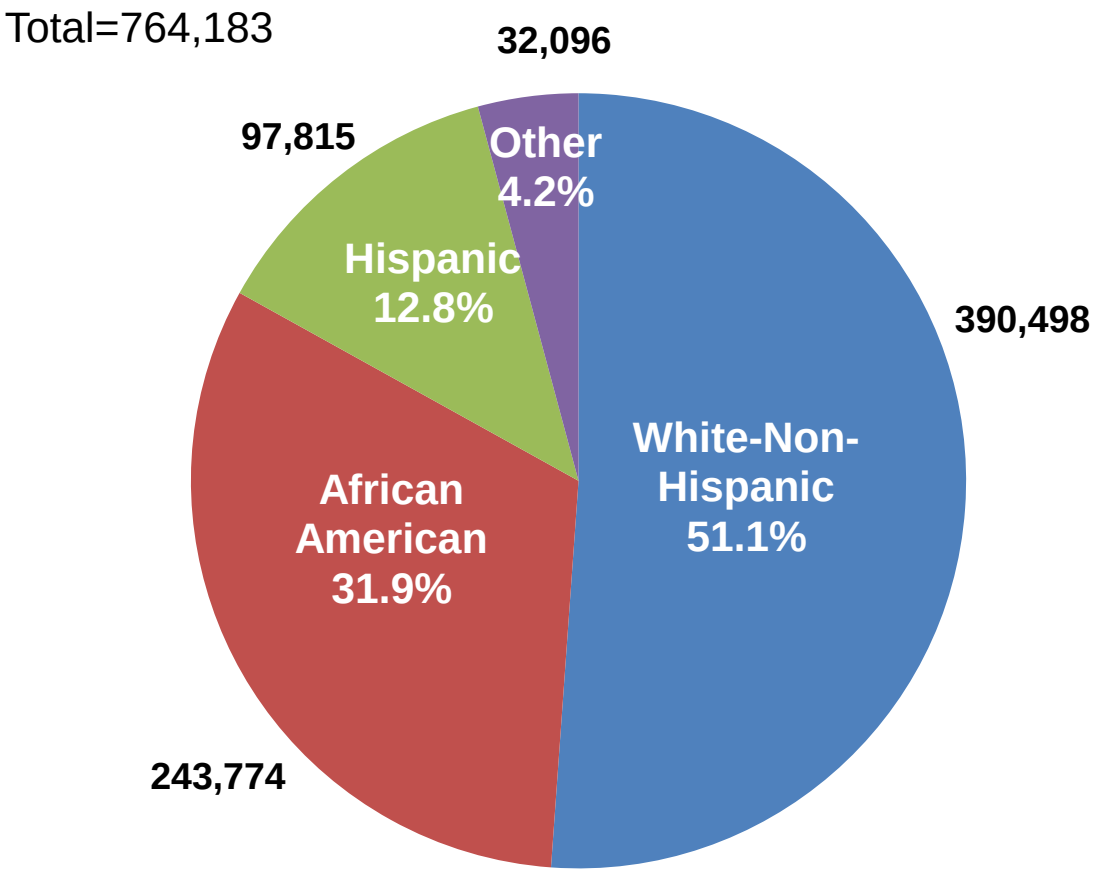
Source: ACS 2011 1-Year Estimates (B27011)

Over half (53.4%) of the uninsured are currently employed.

46.6% of the uninsured were unemployed (20.4%) or not in the labor force (26.2%)

Uninsured South Carolinians Ages 0 to 64 by Race

South Carolina Health & Human Services

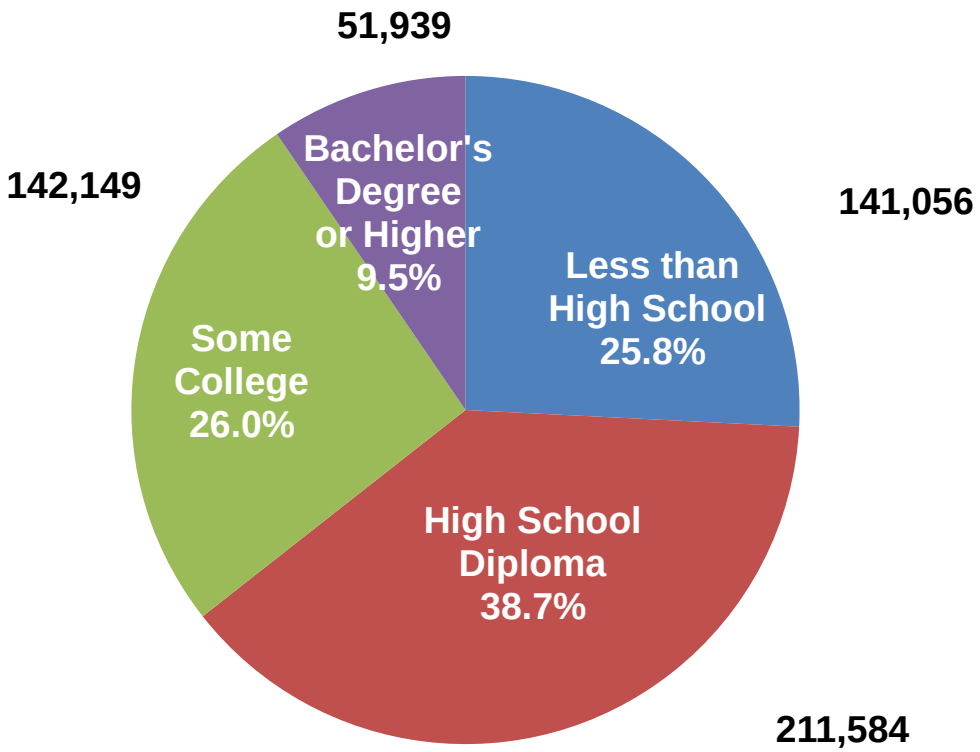


Source: ACS 2011 1-Year Estimates (B27001)

Approximately, 50% of the total uninsured population is classified as White-Non-Hispanic.

African Americans make up roughly 32% of the population.

Uninsured South Carolinians Ages 25 to 64 by Education



Source: ACS 2011 1-Year Estimates (B27019)

Approximately 4 of 10 (39%) uninsured South Carolinians has a high school diploma.

1 of 4 has not completed high school.

DSH

South Carolina Health & Human Services

- No regulations have been published – there is no knowledge of how DSH will be cut by state and SCHA uses average estimates.
- DSH primarily funds uncompensated care at hospitals. ***Even without Medicaid expansion the number of uninsured will drop by 71% in SC***. Not as much DSH will be needed.
- DSH is just one type of hospital payment. If a cap is placed on how much federal money can be spent on DSH, the state can simply shift its match to other non-capped payment types.

FY 2014 doesn't reduce DSH payments though the uninsured decrease by 71%

This results in extra payments to hospitals

This provides transition funds the hospitals requested

The SCHA wants expansion and wants to keep all the money previously used for the uninsured. *It can't have both*

SCHA Jobs Report

South Carolina Health & Human Services

- Harvard economist Katherine Baicker – who has conducted studies showing Medicaid improves health – also writes in an article ***The Health Care Jobs Fallacy***:
  - "…this focus on health care jobs is misguided."
  - "Salaries for health care jobs are not manufactured out of thin air – they are produced by someone paying higher taxes, a patient paying more for health care, or an employee taking home lower wages..."
  - "Additional health care jobs leave Americans with less money to devote to college tuition and mortgage payments, and the US government with less money to perform all other governmental functions."

The same USC professor performed a similar analysis in 2011. SCHA argued Medicaid cuts would cost several thousand jobs

After the cuts health-care jobs in South Carolina *increased several thousand* from 153,400 in April/12 to 160,600 in Oct./12 (DEW)

DHHS has identified several potential errors and has submitted questions to USC

The Taxes Leaving South Carolina Argument is Overstated

South Carolina Health & Human Services

- Several hundred billion dollars of new taxes were passed to fund the ACA
- Advocates argue that none of this will return if we don't expand. This is untrue:
  - An additional 0.9 percent Medicare tax on high income earners ($200k single/$250 married) will go to the Medicare trust fund and **will return** since there are no changes to Medicare enrollment
  - An additional 3.8 percent investment income tax on high income earners ($200k single/$250k married) goes into the federal treasury where it is not allocated to health care spending. It will be used to reduce federal deficits or come down through military spending, education, infrastructure, etc., not exclusively health care
  - 71% (521,000) of SC's uninsured are projected to become insured under federal exchanges and through growth in the current Medicaid program. These populations will be generously subsidized through federal tax credits or our current FMAP **so the revenue will return**

Even with these taxes, federal spending will still run a deficit. The CBO only projects a shrinking of the deficit due to ACA – not an elimination

The CMS actuary believes it is unlikely that the Medicare reimbursement reductions will happen as planned requiring cuts elsewhere (like Medicaid)

The federal government looks ready to raise taxes even further in next few months to help pay for deficits – not spending