

Testimony
Engrossed House Bill 1362 – Department of Human Services
Senate Appropriations Committee
Senator Ray Holmberg, Chairman
April 3, 2013

Chairman Holmberg, members of the Senate Appropriations Committee, I am Maggie Anderson with the Department of Human Services (Department). I am here today to support House Bill 1362, which was initially included as Section 3 of House Bill 1012, the Appropriations bill for the Department.

Who Would Be Covered?

The Affordable Care Act (ACA), or “health care reform” as enacted, included a mandate, effective January 1, 2014, to expand the Medicaid program to cover all individuals under the age of 65 (including “childless adults”) with incomes below 138 percent of the federal poverty level (133 percent plus a 5 percent income disregard).

On June 28, 2012, the United States Supreme Court upheld the 2014 Medicaid expansion; however, they **struck down the mandate** indicating that the federal government could not withhold all federal Medicaid funding if a state chooses to not expand Medicaid. Therefore, the decision about whether to expand the Medicaid program is **left to each state**. Please refer to [Attachment A](#) for a chart that illustrates “who would benefit” from the expanded coverage proposed in House Bill 1362.

How would the expansion impact Medicaid enrollment?

To calculate our estimates, the Department used a range of potential enrollees, primarily because there are considerable “what ifs?” and

unknowns. The Kaiser Family Foundation, in their November report “The Cost and Coverage Implications of the ACA Medicaid Expansion: National and State by State Analysis” estimated **as many as 32,000** individuals could enroll in North Dakota Medicaid as a result of the Medicaid expansion. The Department’s staff prepared a separate estimate, based on the Current Population Survey Annual Social and Economic Supplement – US Census Bureau for the state of North Dakota. This estimate suggests the increase in enrollment **may be closer to 20,500**.

Calculating the estimates is not an exact science, and there are rules and policies that are not final. Also, the Kaiser Family Foundation includes many variables in their micro-simulation model – including rates of unemployment, wages, and expected “dropping” of employer sponsored coverage. In addition, in the end, the “take up” rates will be about individual choice and concern about the individual mandate penalty.

What Benefit Package Would the Newly Eligible Group Receive?

The Amendments adopted by the House indicate the coverage for the Expansion population would be provided by bidding through private carriers or through utilizing the health insurance exchange.

What is the Expected Cost of the Medicaid Expansion?

The ACA affords 100 percent federal funding for the expansion population in Calendar Years 2014, 2015, and 2016; and then the federal support tapers to 90 percent by 2020 according to the following schedule:

| Calendar Year | Federal Match Percentage |
|---------------|--------------------------|
| 2014 | 100 Percent |
| 2015 | 100 Percent |
| 2016 | 100 Percent |

| | |
|-----------------------|------------|
| 2017 | 95 percent |
| 2018 | 94 percent |
| 2019 | 93 percent |
| 2020 and future years | 90 percent |

The Executive Budget request for the Department includes \$9.1 million to cover the expected costs of the “previously eligible” individuals. This is a group that is expected to apply for coverage – **regardless of whether there is a Medicaid expansion**. These are individuals who are eligible for Medicaid today, but have not applied for coverage – perhaps because they did not know they qualified, perhaps because they did not have a medical need. In 2014, when the individual mandate within the ACA is in force and considerable federal outreach occurs, it is expected that these individuals will apply for coverage. Those found eligible based on current eligibility rules will be enrolled in Medicaid, and the services they receive will be **eligible for 50 percent federal match** (which is the Federal Medical Assistance Percentage effective October 1, 2013) rather than the 100 percent federal funding for the expansion population. This group is referred to as the “previously eligibles” or “woodwork” group.

Using the low end of the potential enrollment range, and after consultation with a private insurance carrier, the estimated cost to expand coverage as defined in Engrossed House Bill 1362 is between **\$154 million and \$171 million** in federal funds for the **2013-2015 biennium**.

Administrative Costs

The estimated administrative costs for the Medicaid expansion by bidding through private carriers or utilizing the health insurance exchange are detailed as follows:

| Position | Staffing required for 2013 - 2015 Budget (and on-going), for Medicaid Expansion | | |
|---------------------------------------|--|----------------------|-------------------|
| | Total Funds | General Funds | Start Date |
| Medical Services | | | |
| Administrative Support | 78,226 | 43,337 | November 1, 2013 |
| Medicaid Policy | 133,187 | 66,594 | August 1, 2013 |
| Economic Assistance Quality Assurance | 129,924 | 63,858 | October 1, 2013 |
| Total | \$341,337 | \$173,789 | |

In addition to the above ongoing staff positions, the Department is estimating the need for one-time funding of \$150,000 (\$75,000 general fund) for the purpose of procuring a vendor to assist the Department in either writing a Request for Proposal, Premium Assistance State Plan and/or Medicaid 1115 Waiver (if needed).

Conclusion - additional guidance is still expected and the assumptions used in calculating the estimates are not "set in stone." We cannot be certain of the number of people who will seek coverage or be able to precisely predict their health care needs and service usage. The estimates provide a projection of potential enrollment and estimated costs.

I would be happy to address any questions that you may have.