Testimony
House Bills 1032, 1033 and 1034 – Department of Human Services
House Appropriations Committee
Representative Delzer, Chairman
January 19, 2017

Chairman Delzer, members of the House Appropriations Committee, I am Maggie Anderson, Director of the Medical Services Division for the Department of Human Services (Department). I am here to provide information about Medicaid Expansion and support the provisions of House Bill Numbers 1032, 1033, and 1034 that are consistent with the Executive Budget request.

Medicaid Expansion

2013 House Bill 1362 authorized the Department to expand the Medicaid Program to adults under age 65 with incomes up to 138% of the federal poverty level. Medicaid Expansion in North Dakota was implemented January 1, 2014 as managed care through a contract with Sanford Health Plan. 2013 HB 1362 included a sunset clause of July 31, 2017.

Slightly over half of the Expansion enrollees are female 54%; approximately 48% were ages 19-35, 18% were ages 36-44, and 34% were ages 45-64. The majority, 58%, are rural. These trends have remained consistent since enrollment began in January 2014. The Department estimated Medicaid Expansion would provide coverage to approximately 20,500 low-income North Dakotans. Enrollment has been fairly stable during 2016 and as of September 2016 there were 19,358 enrolled in Medicaid Expansion.

Attachment A shows the entire Medicaid Enrollment (eligibles) and the unduplicated count of recipients for the last 24 months.

Attachment B

shows the Medicaid Expansion premiums paid from January 1, 2014, through October 2016.

The ACA provided 100% federal funding for the Expansion population in Calendar Years 2014, 2015, and 2016. Starting January 1, 2017 the federal match began to decrease and will taper to 90% by 2020 according to the following schedule:

Calendar Year	Federal Match Percentage
2014, 2015, and 2016	100%
2017	95%
2018	94%
2019	93%
2020 and future years	90%

The Executive Budget for Medicaid Expansion is **$389,202,022** of which **$30,449,727** is general fund. The Executive request includes several changes to Medicaid Expansion:

Included in the Executive Budget	1032	1033	1034
Removal of the Sunset Clause	✓	✓	✓
Reduction of the fee schedule from a commercial level to the traditional Medicaid fee schedule	✓		
Transition of the operation of Medicaid Expansion from a managed care arrangement to a fee-for-service operation	✓	✓	✓

The change from managed care to fee-for-service (FFS) is estimated to save about $650,000 in state general fund for the period of January 1, 2018 through June 30, 2019. As part of this transfer, 15 FTE were transferred from other parts of the Department to cover resulting staffing needs in the Medical Services and Information Technology Services Divisions. The FTE are needed for those areas that would see increases

in efforts by transferring the Medicaid Expansion enrollees (19,358 as of September 2016) to FFS. The FTE include: Claims Processing Staff; Medicaid Utilization Review (Nurses and Transportation Coordination); and Medicaid Program Integrity, including Third Party Liability (TPL). There would be decreasing and increasing operational costs. Decreases would include savings from Actuarial Services and External Quality Review contracts ($1.2 million). Increases include Medicaid ID Cards, Drug Prior Authorization, Hospital Utilization Review, Primary Care Case Management, TPL Location Services and printing/postage for various mailings. Transferring the program to FFS will also allow the Department to save an estimated $3.4 million for a change request to MMIS so the system can process premium payments, create the eligibility roster, and accept and process Medicaid Expansion managed care encounter claims. Currently, the Department has approval from CMS to defer work on the change request, pending the outcome of the legislative session.

Attachment C provides the analysis completed by the Department to calculate the savings of transitioning the Medicaid Expansion operation from managed care to fee-for-service.

In April of 2016, CMS issued final regulations that revise and significantly strengthen existing Medicaid managed care rules. According to the Kaiser Family Foundation summary: "… the regulatory framework and new requirements established by the final rule reflect increased federal expectations regarding fundamental aspects of states' Medicaid managed care programs. Major goals of CMS' in revising the regulations were to align Medicaid and CHIP managed care requirements with other major health coverage programs where appropriate; enhance the beneficiary experience of care and strengthen beneficiary protections; strengthen actuarial soundness payment provisions and program integrity; promote

quality of care; and support efforts to reform the delivery systems that serve Medicaid and CHIP beneficiaries." The breadth of the 405 page managed care final rule is significant. The increased State costs to comply with the requirements of the final rule if Medicaid Expansion remained managed care are not included in the estimated $650,000 savings as it would be difficult, at this time, to accurately predict the increased costs associated with the final rule.

Premium Cost Sharing Waiver (House Bill 1033)

Page 2, Lines 17-22 of House Bill 1033 contains a requirement for the Department to pursue a federal waiver to allow for premium cost-sharing for the Medicaid Expansion enrollees. The premiums cannot exceed five percent of household income and cannot be implemented unless the cost savings exceed the increased administrative costs.

Please refer to **Attachment D**, **Attachment E** and **Attachment F** for information related to Medicaid Cost Sharing and Medicaid 1115 Waivers.

Medicaid Expansion and Estate Collections

During the 2015 session, amendments were adopted on Senate Bill 2050 to restrict estate collection to certain expenditures made on behalf of Medicaid Expansion enrollees. The amendments adopted were specific to payments made on behalf of a recipient who received coverage through a private carrier (N.D.C.C. 50-24.1-07). With the Executive Budget request to operate Medicaid Expansion as fee-for-service, the existing law would no longer restrict the Department from estate collections for the Medicaid Expansion population.

This concludes my testimony and I would be happy to answer any questions.