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**Date:** March 5, 2019

**Re:** Technical notes regarding the KHI Issue Brief, *Medicaid Expansion in Kansas: Updated Estimates of Enrollment and Costs*, KHI/19-12, March 5, 2019.

**Prepared by:** Cheng-Chung Huang, M.P.H., and Kari M. Bruffett

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*This memo provides technical information about the assumptions in the KHI updated estimate of the enrollment and costs if Kansas were to expand Medicaid to adults age 19-64 with household income  $\leq 138$  percent of the federal poverty level (FPL) on January 1, 2020. If you would like additional information on this topic, please contact Kari Bruffett via phone at (785) 233-5443 or by email at [kbruffett@khi.org](mailto:kbruffett@khi.org).*

### Research Questions

- How many uninsured Kansas adults would become eligible and enroll if Medicaid were expanded under the terms of the Affordable Care Act?
- How many currently eligible uninsured Kansas adults and children would enroll in Medicaid if expanded (woodwork)?
- How many Kansas adults and children with private coverage might opt for Medicaid or CHIP if Medicaid were expanded (crowd-out)?
- What are the estimated costs of coverage for the newly enrolled population for each of the next 10 calendar years (gross cost)?
- What savings, additional revenues or expenditures would be associated with an expansion, and how would those affect state expenditures (net cost)?

### Study Population

- Kansas adults with family income  $\leq 138$  percent FPL and children with family income  $< 241$  percent FPL.

### Data Sources

- Medical Assistance Report SFY 2018<sup>1</sup>, Kansas Department of Health and Environment (KDHE), supplemented by data from KDHE and the Kansas Department of Corrections.
- American Community Survey 2017 1-year Public Use Microdata Sample, U.S. Census Bureau.
- 2019 Federal Poverty Guidelines, U.S. Department of Health and Human Services.
- CMS-64 claim forms and Federal Medical Assistance Percentages (FMAP) documents, Centers for Medicare and Medicaid Services.

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<sup>1</sup> [http://www.kdheks.gov/hcf/medicaid\\_reports/default.htm](http://www.kdheks.gov/hcf/medicaid_reports/default.htm)

## Analytical Approach

1. We estimated the number of insured and uninsured adults age 19-64 with family income ≤138 percent FPL and insured and uninsured children <241 percent FPL using American Community Survey 2017 1-year Public Use Microdata Sample.
2. Some children currently covered by private insurance may opt for Medicaid or CHIP if Medicaid would be available for the adults in the family. Some adults currently covered by private insurance may also opt for Medicaid if expanded. We reviewed recent literature to confirm our continued use of the crowd-out rates from the 2016 and 2018 estimates.
3. Similarly, we reviewed recent literature to confirm continued use of our assumptions for the take-up rates for currently eligible but not enrolled members (woodwork).
4. From research for the [Medicaid: A Primer 2019](#), we had cost data from Medical Assistance Reports, supplemented by additional information from KDHE, for TAF adults and for PLE Pregnant Women, which was \$6,355 and \$10,330 per enrollee in FY 2018, respectively. The cost per Medicaid child was \$3,247 and per CHIP child was \$2,206. (See table below.)

	Enrollees	FY2018 Expenditures	FY 2018 Per person cost	CY 2020 Per person cost (projected)
Parents in TAF	40,845	\$254,003,649	} \$6,355	\$6,677
Parents in TAF Extended Medical	3,371	\$26,955,543		
Med. Needy Families	2	\$38,960		
PLE Pregnant Women	7,041	\$72,733,323	\$10,330	\$10,853
<b>Subtotal (Adults)</b>	<b>51,259</b>	<b>\$353,731,474</b>	<b>\$6,901</b>	<b>\$7,250</b>
Children in TAF and PLE	192,544	\$625,234,140	\$3,247	\$3,411
CHIP and M-CHIP	51,276	\$113,093,294	\$2,206	\$2,318
<b>Subtotal (Children)</b>	<b>243,820</b>	<b>\$738,327,434</b>	<b>\$3,028</b>	<b>\$3,181</b>
MediKan	955	\$6,159,451	\$6,450	\$6,776
SSI-Blind and Disabled (Non-Dual) Capitation Payments	26,709	\$392,576,501	\$14,698	\$15,442

Source: KHI analysis of FY 2018 Medical Assistance Report and data from the Kansas Department of Health and Environment.

5. Using the uninsured but eligible population from #1 (with enrollment rate applied), the potentially crowded out population from #2 (with crowd-out rate applied), the woodwork population from #3, and the per-person spending for adults and children from #4, we estimated the gross cost to provide Medicaid coverage to new enrollees.
6. We estimated the state share of the gross cost of coverage by examining federal matching rate documents.
7. We estimated offsetting savings and revenues, as well as administrative costs associated with expansion, using methods described in the Technical Notes below.

## Technical Notes

1. There are two types of income-eligible new enrollees: Newly Eligible and Woodwork, based on whether they would have been Medicaid eligible before the ACA. States receive higher federal match rates for newly eligible adult enrollees than they do for Medicaid-eligible adults meeting 2009 Kansas Medicaid rules (woodwork), including parents/adult caretakers <38 percent FPL and pregnant women <171 percent FPL (formerly 150 percent FPL). In general, non-disabled adults age 19-64 ≤138 percent FPL except those <38% parents/caretakers would be considered newly eligible under Medicaid expansion.
2. We use a 74-percent take up rate for currently uninsured and newly eligible adults, and a 40-percent take up rate for woodwork adults, consistent with our previous reports. The take up rate for currently uninsured children (woodwork) is assumed to be 65 percent, also consistent with previous estimates. The crowd-out rate for all currently insured but eligible adults and children is assumed to be 25 percent, except for CHIP-eligible children at a lower rate of 15 percent, because their parents will not be eligible for expansion.
3. A blended Calendar Year FMAP is calculated by mixing FMAP of three quarters from a current FFY and one quarter from the next FFY. FFY 2020 is the latest year for which FMAP has been published, so it is used as the basis for match rates in subsequent years. The CHIP enhanced match rate is assumed to follow current federal law and return to its regular calculation in FFY 2021.

Kansas	Medicaid Regular FMAP	CHIP Enhanced FMAP	Expansion Newly Eligible FMAP
FFY 2020	0.5916	0.8291	
CY 2020	0.5916 =.75*.5916+.25*.5916	0.80035 =.75*.8291+.25*.7141	0.90
FFY 2021 and CY2021 (new FMAP for 2022 and after are TBD)	0.5916	0.7141	0.90

Source: KHI analysis of Federal Medical Assistance Percentages.<sup>2</sup>

4. In addition to the adult eligibility guideline discussed in the main text, women of fertility age were estimated separately, using the Kansas 2017 vital statistics 7.451-percent delivery rate for the age 20-44 women (34,524 live or still births/463,322, for age 20-44 women). Assuming 7.451 percent of women age 19-44 who will enroll in the newly eligible expansion group might become pregnant over the course of the year, we assumed that two-thirds of the months of their pregnancies would remain in the newly eligible group (states must move pregnant women from the newly eligible group to the pregnant women eligibility group if they are pregnant at their annual redetermination date but can claim the 90-percent federal match rate until then). To account for that, we calculated a mixed FMAP rate with one part of regular Medicaid match rate and two parts of the newly eligible expansion match rate. We calculated the state would receive the equivalent of 79.72 percent federal match (2/3 of 90 percent and 1/3 of regular FMAP 59.16

<sup>2</sup> <https://www.kff.org/medicaid/state-indicator/federal-matching-rate-and-multiplier>

percent) for Calendar Year 2020 for the estimated 2,334 newly eligible women who would become pregnant. See item 12 for how we considered the effect on the current pregnant women eligibility group.

5. Expenditures were obtained from the latest Kansas Medical Assistance Report (MAR) for State Fiscal Year 2018 (FY 2018), the same data source used for *“Medicaid: A Primer 2019.”* KDHE responded to a request to break down certain categories in the MAR by age group and income. We used these FY 2018 expenditures and applied a 2.5 percent increase to approximate the expenditures for CY 2019, and the same 2.5 percent increase on the previous year was applied to bring the expenditure estimates into CY 2020 and each year thereafter. The 2.5 percent is intended to account for the combined effect of per capita cost and enrollment increases; it is likely those increases will vary significantly year to year.
6. CHIP children tend to be older and with lower average expenditures than the younger Medicaid children. Starting late 2015, Kansas children age 6-18 with income of 114-133 percent FPL were converted to the M-CHIP program, which is a Medicaid program for which the state receives the enhanced CHIP FMAP. For children who are already enrolled, their cost was priced-in to the MAR FY2018. The match rate and state costs were adjusted for the estimated 2,430 children in the 114-133 percent FPL subset who would newly enroll as M-CHIP.
7. The privilege fee paid by managed care organizations is 5.77 percent of the calendar year total premiums paid. In CY 2020, the state will receive half of the annual fee in March, and the other half in September. We assume that KanCare expansion enrollees are all included in managed care, and that the privilege fee is applied to the total cost of care for new enrollees.
8. Drug Rebates. The estimate used the numbers from previous KDHE fiscal notes adjusted by the difference in the enrollee total in this estimate. KDHE previously estimated an average per person rebate collected of \$164.63; however, the KDHE estimates included only adults. Without additional information on the per capita rebate for children, our estimate of drug rebates could be overstated, as we apply the same rate to adults and children.
9. CHIP premiums collected were calculated assuming that children from 167–191 percent FPL pay a \$20 monthly premium; 192-218 percent FPL pay a \$30 monthly premium; and 219-241 percent FPL pay a \$50 monthly premium. The state share was calculated using the corresponding CHIP match rate.
10. MediKan is currently 100-percent state-funded with limited benefits, and all 955 enrollees are assumed to be ≤138 percent FPL. We estimate that if MediKan beneficiaries (who are seeking disability determinations) enroll in the new expansion group, their costs and coverage may resemble beneficiaries in the non-dual, non-waiver Supplemental Security Income (SSI) group. We estimate additional cost at the SSI per person cost level, which will increase total expenditures but reduce the state share. In FY 2018, the MediKan average per person annual cost was \$6,450, which was all the responsibility of the state. Assuming expansion we estimate a \$15,442 per person annual cost in CY 2020, 10 percent of which, or \$1,544 per person, would be the responsibility of the state.
11. The non-waiver, non-buyin Medically Needy Blind and Disabled enrollees age 19-64 ≤138 percent FPL may choose to participate in the expansion group, as they would not be required to meet the spenddown requirement, and their first dollar of medical expenses would be covered. Under current Medicaid, these estimated 1,979 Medically Needy beneficiaries are responsible for a spenddown amount similar to deductibles, and Medicaid pays the rest (federal share for CY 2020

is 59.16 percent). Under Medicaid expansion, Medicaid would cover those costs, including the previous spenddown amount, at a 90 percent federal share. Based on data provided by KDHE, we found that the total cost to cover this population in the new adult group would increase total Medicaid program cost by \$16 million, but still with significant savings to the state.

12. The current PLE Pregnant Women category of the Medicaid program covers pregnant women with family income <171 percent FPL. In the future, it is estimated that this eligibility category will contract, as some (and in some cases even all months) of pregnancy could be covered in the newly eligible group as long as women were enrolled prior to becoming pregnant (see discussion of timing in item 4). However, some women below 38 percent FPL with a child in Medicaid may be considered as woodwork adults, some will have income above the expansion group eligibility level, and still others might not apply for coverage until after they become pregnant. In the first year of expansion, the state would not likely realize the full savings, as women already pregnant would not qualify for the new expansion group, and the state would receive a regular match rate for their costs. For CY 2020, the first year of expansion, we estimate that two-thirds of the months of pregnancy for women with income  $\leq$ 138 percent FPL would be in the regular pregnant women category, while one-third of total months would fall within the newly eligible category (we also applied a 74 percent take up rate assumption to calculate which women not already pregnant on January 1, 2020, would be likely to enroll in the expansion group). After that initial year of implementation, for CY 2021 and beyond, the assumption is that two-thirds of months of pregnancy for women enrolled in the newly eligible group could qualify for the 90-percent federal match.
13. Supplemental Security Income (SSI). Based on literature demonstrating a 2-percent reduction in SSI participation in expansion states, we assume a 2-percent reduction in non-dually eligible SSI adults who are not on waivers for home and community based services. These adults could receive medical coverage through expansion, avoiding the complicated and lengthy SSI application process or the low SSI income and resource limits when medical care coverage may be the main benefit some seek. The state's savings comes from the conversion of 2 percent of non-dual SSI expenditures with regular FMAP to the 90-percent federal match.
14. The Kansas Department of Corrections responded in the fiscal note for Senate Bill 54 that there would be \$2.2 million net savings to the state if Medicaid covers more inmate medical costs for inpatient hospital stays of at least 24 hours.
15. Administrative cost was calculated as 4.59 percent of the total expenditures based on the actual administrative fees (less the cost of HIT incentives) as percentage to total Kansas Medicaid cost in the *FFY 2016 Medicaid Financial Management Data*<sup>3</sup>. We also calculated the blended state share using the actual federal match rate for Kansas administrative costs from the same source, which was 64.72 percent.

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<sup>3</sup> <https://data.medicaid.gov/Uncategorized/FY-2016-Financial-Management-Data/kn4e-mjby>