Kansas Department of Health and Environment

Analysis of Affordable Care Act Impact to Kansas Medicaid/CHIP Program

Executive Summary

The Kansas Department of Health and Environment (State) contracted with Aon Hewitt to perform an independent analysis on the potential enrollment and budget impact of the Affordable Care Act (ACA) implementation to the State's Medicaid/Children's Health Insurance Program (CHIP). Several studies have been published by various research entities including the Kaiser Family Foundation, Kansas Policy Institute, and Kansas Health Institute in the past several years. As expected, the results vary due to the use of different approaches and data sources.

Aon Hewitt reviewed related studies including national studies and technical assistance guidance in addition to the three studies mentioned above and developed its own approach to model the potential impact of ACA implementation to Kansas's Medicaid/CHIP program. We modeled the impact by developing experience-based enrollment rate assumptions for those currently eligible for Medicaid/CHIP and for those who will be newly eligible under the expansion option using detailed eligibility and enrollment information provided by the State as well as census data and other data sources. The incremental increase of the projected enrollment rates under various ACA scenarios allowed Aon Hewitt to further differentiate the woodwork impact if there were no expansion, as well as determine the additional woodwork impact under the expansion scenario.

Assuming moderate statewide population growth will continue, and using the CY2010 Medicaid/CHIP enrollment experience as a base, our best estimate if the State chooses not to expand Medicaid, is that the Medicaid/CHIP enrollment will increase by 20,563 in CY2014, ramping up to 41,538 (23,740 for Medicaid and 17,798 for CHIP) by CY2016, when the ACA is expected to be fully implemented. The increase in enrollment without expansion is assumed to occur due to outreach efforts under ACA implementation, regardless of expansion. This expected increase in enrollment for those who are currently eligible but not enrolled in the Medicaid/CHIP program is commonly referred to as the woodwork effect. The anticipated 10-year (CY2014-CY2023) State budget increase (state share only) for no expansion will be $513.5M ($455.5M for Medicaid and $58.0M for CHIP).

If the State chooses to expand Medicaid, Aon Hewitt's best estimate is that the Medicaid/CHIP enrollment will increase by 111,880 in CY2014, ramping up to 226,003 (25,416 from currently eligible Medicaid, 49,384 from currently eligible CHIP, and 151,203 from those newly eligible for Medicaid) in CY2016, once ACA is fully implemented. These estimates incorporate anticipated woodwork effects, newly eligible members and potential crowd out effects. Crowd out refers to enrollment shifts from private coverage to public insurance as an effect of Medicaid eligibility expansion. Under the expansion scenario, the enrollment of currently eligible but not enrolled is assumed to increase more than under the without expansion scenario. This is due to extra outreach efforts initiated by various interest groups and anticipated additional enrollment of

currently eligible children when newly eligible parents enroll in Medicaid. The enrollment increase from the newly eligible is mainly driven by the expansion of Medicaid eligibility to all eligible individuals under 138% of the federal poverty level (FPL), regardless of parental status or medical condition. The anticipated 10-year (CY2014-CY2023) State budget increase (state share only) with expansion compared to No ACA will be $1.1B ($970.1M for Medicaid and $173.6M for CHIP).

The best estimate reflects our interpretation of the available data and our best assumptions regarding how various eligible beneficiaries will react to the implementation per our discussion with the State. The budget impact did not account for possible options to reclassify some currently eligible beneficiaries to newly eligible status to gain higher Federal Medical Assistance Percentage (FMAP) funding or potential reductions in state-only programs, and it also did not account for additional administrative costs associated with an expansion. Our enrollment and budget impact also assumed that ACA implementation has no material impact to those individuals age 65 and over.

The analysis was performed by Mac Xu, FSA and MAAA, and professionally reviewed by Kirsten Schatten, ASA and MAAA. We followed generally accepted actuarial principles in performing this analysis and are reasonably familiar with ACA rules and the Kansas Medicaid program. We both meet the qualification requirements to issue this report. The results were based on our best interpretation of the data available to us and our best knowledge of how eligible beneficiaries will react to the implementation of ACA in Kansas. We relied on the accuracy and completeness of the data provided by the State. We reviewed the data for usefulness and reasonableness and took a conservative approach in the use of the data, especially the census data. However, if the data is not accurate or the enrollment experience has changed significantly since the base period we used, our results are likely to change.