



KANSAS HEALTH INSTITUTE

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Senate Public Health and Welfare Committee

January 28, 2020

**Neutral Testimony re: Senate Bill 252
Kansas Innovative Solution for Affordable Healthcare Act**

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Vice President for Policy
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The Kansas Health Institute supports effective policymaking through nonpartisan research, education and engagement. KHI believes evidence-based information, objective analysis and civil dialogue enable policy leaders to be champions for a healthier Kansas. Established in 1995 with a multiyear grant from the Kansas Health Foundation, KHI is a nonprofit, nonpartisan educational organization based in Topeka.

Chair Suellentrop and Members of the Committee:

Thank you for the opportunity to provide neutral testimony regarding Senate Bill 252, the Kansas Innovative Solution for Affordable Healthcare Act. My name is Kari Bruffett, and I am vice president for policy at the Kansas Health Institute (KHI).

KHI is a nonprofit, nonpartisan educational organization based in Topeka, founded in 1995 with a multiyear grant from the Kansas Health Foundation.

Today I am presenting KHI's updated estimate of new enrollees in KanCare if the program were to be expanded, and sharing related information based on the experience in other states that have expanded their Medicaid programs. I also will discuss how some of the provisions in SB 252 and in the separate, House-amended HB 2066 might affect expected enrollment and costs.

To summarize in advance, KHI estimates that expansion will increase KanCare enrollment by about 33 percent, but because of enhanced federal match rates and the net effect of new revenues, offsetting savings and administrative costs, expansion will increase the state's current net cost of KanCare by around 4 percent.

Kansas Health Insurance Profile

For this estimate and other materials related to insurance coverage, KHI uses detailed data from the U.S. Census Bureau's American Community Survey (2018), the latest available data. The full-page infographic included with this testimony illustrates the coverage status of approximately 3 million Kansans, including the 249,117 uninsured Kansans, 206,458 of whom are adults age 19-64.

You could look at the infographic, notice that about 75,000 uninsured Kansans are likely to be newly eligible for Medicaid if expanded, and wonder why you've heard estimates that expansion would add 130,000-150,000 new enrollees. We'll go through some of the assumptions in a moment, but it boils down to this:

- There are nearly 75,000 uninsured Kansas adults age 19-64 with household income that does not exceed 138 percent of the federal poverty level (FPL) and who are not already eligible for KanCare.
- Not all of these 75,000 newly eligible adults will enroll.
- Some people who are already eligible but haven't enrolled in KanCare might enroll because their family members do, or because of outreach efforts related to expansion.
- Some people who have some other form of health coverage now might switch to KanCare if expanded.
- Not everyone who is uninsured will be eligible for Medicaid if expanded.

Enrollment Estimate

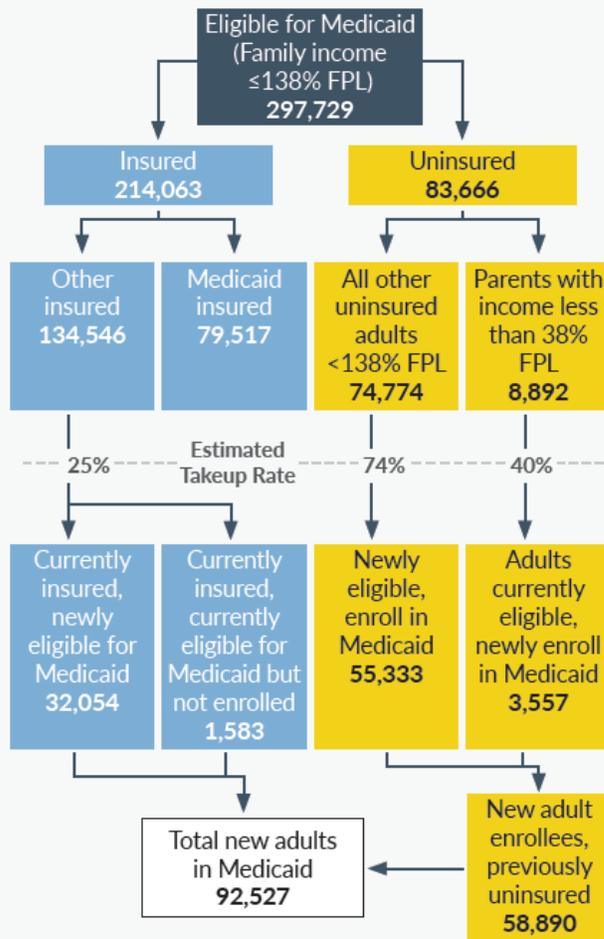
KHI's estimate of enrollment and cost differs from fiscal notes because it includes not only the enrollment, costs and offsets associated with newly eligible adults, but also the indirect effects related to currently eligible adults and children.

KHI projects that a KanCare expansion under the existing terms of the Affordable Care Act (for adults age 19-64 with income under 138 percent of the federal poverty level) would add a total of 132,000 beneficiaries, including 93,000 adults age 19-64 and 39,000 children.

The adults include 55,333 newly eligible adults who are currently uninsured, 5,140 adults who are currently eligible but not enrolled, and 32,054 newly eligible adults who are expected to switch from another form of coverage to KanCare.

Figure 1 from KHI's latest issue brief, *Medicaid Expansion in Kansas: Elements in Competing Versions Affect Estimated Enrollment, Costs*, provides a visual representation of the expected adult enrollment.

Figure 1. Projected Kansas Adults Age 19-64 in Medicaid Expansion Population under 138 percent FPL



Note: The figure does not include 7,307 adults who are expected to enroll in the new adult group who otherwise might have enrolled in other categories, such as the Medically Needy.

Source: KHI analysis of 2018 American Community Survey data.

Children in the estimate include 17,852 currently uninsured children who would newly enroll, and 21,561 children who would shift from some other form of coverage to KanCare.

Cost Estimate

Another way this estimate differs from a fiscal note is that it is not looking at the provisions in any one bill. The estimate is based on a straightforward expansion similar to the bills introduced in 2019, so it does not include the effect of premiums, the proposed \$35 million hospital surcharge, or the proposal to request federal approval to transition those with income over 100 percent of FPL to the Affordable Care Act (ACA) individual health insurance marketplace (nor does it include costs associated with preparing that request or the Section 1332 waiver application to create a reinsurance program for the marketplace). However, we will discuss the potential effects of those and other provisions below.

The combined federal and state costs associated with expansion are estimated to average about \$1 billion a year over 10 years in total. The net state cost of newly eligible adults is estimated to be \$15.3 million in calendar year 2021, and \$154.7 million over 10 years. The net cost of currently eligible but newly enrolled adults is estimated to be \$14.1 million in 2021, and \$168.7 million over 10 years.

The KHI estimate also includes costs for currently eligible but not enrolled children who would be expected to enroll in KanCare as enrollment efforts reach more people, and particularly as their parents newly enroll. Those net costs are estimated at \$34.4 million in 2021 and \$411.3 million over 10 years. It can be argued that those costs, as well as the cost of currently eligible adults, are already part of state policy so do not need to be attributed to expansion. KHI includes the enrollment and cost effects of currently eligible new enrollees to provide a broader picture of the likely effect of expansion on the KanCare program. States that have expanded Medicaid have seen improvement in the coverage status of children.

The KHI estimate does not include projected effects on workforce or the overall state economy, but the brief does reference it and other potential economic considerations related to expansion:

- New jobs added
- Increased state and local tax revenues
- Lower premiums on the Marketplace
- Lower chance of hospital closures

Figure 4. Other Considerations Not in Estimate

Factor	Potential Effect From Expansion	Example
Economic Activity	New jobs added	Colorado: 31,000 additional jobs as of fiscal year 2015-2016
State and Local Taxes	Increased revenues	Leatherman Kansas projection: 5.3 to 6.6 percent of federal cost of new enrollees
Marketplace Plans	Lower premiums	2018 study found Marketplace premiums 11 percent lower in expansion states
Hospitals	Lower chance of closure	2018 study found hospitals were 84 percent less likely to close in expansion states than in non-expansion states

Factors That Might Affect Enrollment and Costs

SB 252 includes a provision that would have the state request federal approval to move adults with income between 100 and 138 percent FPL from KanCare in 2022 to the ACA Marketplace, where they would be eligible for federal subsidies to purchase private coverage. While the Centers for Medicare and Medicaid Services (CMS) has not approved that authority in other states, if approved, it would be estimated to reduce projected new enrollment by more than 34,000 adults and reduce state net costs by \$10.1 million in 2022.

HB 2066, as amended, would assess a \$25 monthly fee to newly eligible enrollees, regardless of income. It also includes a three-month lockout period for nonpayment and a permanent enrollment ban after a second episode of nonpayment. CMS has not approved cost-sharing above a nominal level for enrollees with income under 100 percent FPL, and generally has not approved disenrollment for that group. It also has not approved a permanent enrollment ban. However, if that proposal were to be adopted and approved, it is projected that as many as 37,000 potential new adult enrollees would either never enroll or at some point fail to make payments and be disenrolled.

Those premiums would not net a large amount to the state, as 90 percent of the value would effectively reduce the federal share. The remaining 10 percent, or \$1.6 million in 2021, would accrue to the state. However, a combination of administrative costs and lost potential savings from some other enrollment categories would combine to actually increase the net state cost of expansion by up to \$4.5 million in the first year.

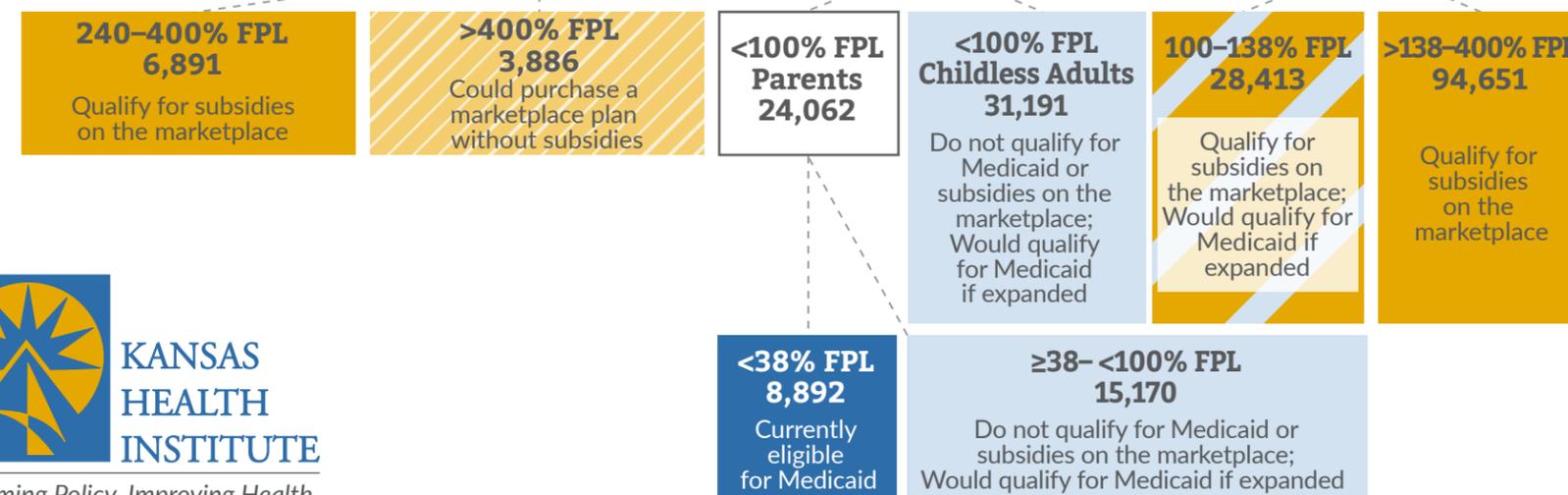
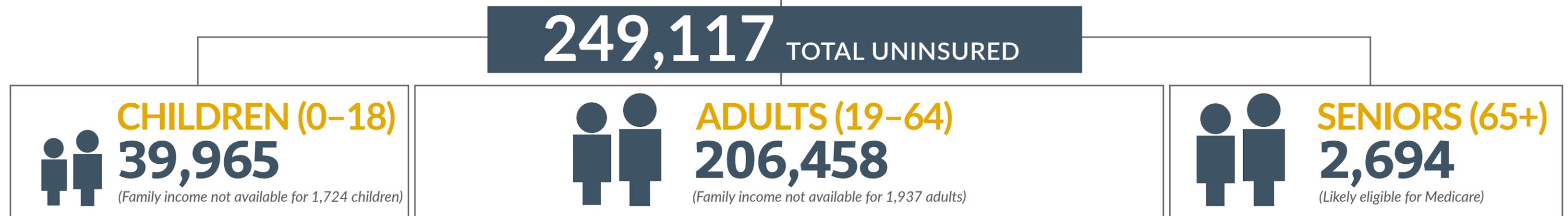
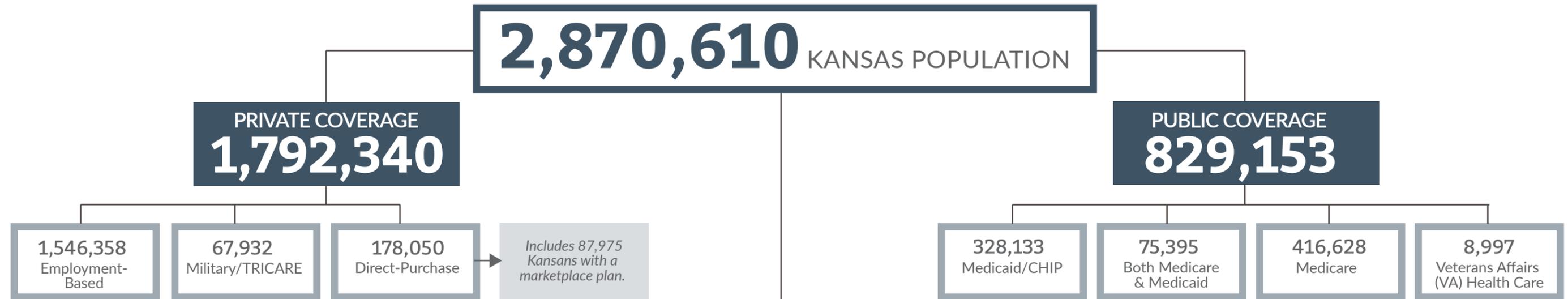
SB 252 also includes premiums but allows the Kansas Department of Health and Environment additional leeway in implementing them (including the language of premiums “not to exceed” \$25 per individual, which would allow for a sliding fee structure). Premiums also would apply only to newly eligible adults with income over 100 percent FPL, and the bill does not include a lockout period (nor an enrollment ban). As a

result, the premium structure in SB 252 would have a lower effect on enrollment and costs. However, it is still likely that the state cost of administering premiums could exceed the funds that would accrue to the state.

I also will note that it is likely the state will not see the full effect of expansion in Year 1. Most states that have expanded in the past have experienced from 70-85 percent of peak enrollment in Year 1, and many have peaked around Year 3. The KHI estimate does not assume lower initial enrollment, but the cost growth factor in our estimate is intended to reflect the combined effect of enrollment and cost growth over time. It should be noted that lower initial enrollment could lead to higher per capita costs, even as it might lower total cost, as those with greater medical needs would be more likely to enroll. It is another issue for policymakers to consider as they plan outreach and communication about expansion if adopted.

Thank you for the opportunity to present this information to you today; I will be happy to stand for questions at the appropriate time.

HEALTH INSURANCE IN KANSAS 2018



LEGEND

- Currently eligible for Medicaid and/or CHIP – 36,356
- Would qualify for Medicaid if expanded – 74,774
- Qualify for subsidies on the marketplace – 129,955
- Could purchase a marketplace plan without subsidies – 30,090

Federal Poverty Level (FPL) — Family of Four, 2018

- 38% of FPL = \$9,538
- 100% of FPL = \$25,100
- 138% of FPL = \$34,638
- 240% of FPL = \$60,240
- 400% of FPL = \$100,400



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Source: KHI analysis of data from the U.S. Census Bureau 2018 American Community Survey Public Use Microdata Sample and the Early 2018 Effectuated Enrollment Snapshot Fact Sheet from the Centers for Medicare and Medicaid Services.