

**EXAMINING THE IMPACT OF NATIONAL HEALTH CARE REFORM (HR 3962)  
LEGISLATION BEFORE CONGRESS ON NEW HAMPSHIRE'S STATE BUDGET**

**Projected 10 year Cost to the New Hampshire State Budget as Result of Current  
Health Care Reform Efforts in Washington** *By John Stephen 11/9/09*

**Cost Breakdown Summary**

**1. Proactive and expanded efforts to reach Medicaid eligible population that has chosen to not sign up for Medicaid.**

According to the Kaiser Family Foundation, there were 142,500 uninsured New Hampshire residents in 2007. Given the state of the economy, that number is likely higher, though it is difficult to quantify. Various studies of the uninsured over time have produced estimates that between 25 and 33% of the uninsured are currently Medicaid-eligible, but who have simply not enrolled in the program. Two provisions of HR 3962 (Sections 1702 & 1705) would compel the state to work diligently to sign up these unenrolled individuals, including a mandate that the state must now have those unenrolled apply for Medicaid eligibility at hospitals, community health centers, clinics and other care providers. These provisions begin in July 2010. There is no additional federal funding for these new Medicaid enrollees.

This expansion will likely add 18,000 to 23,500 new enrollees to NH Medicaid. (25 to 33% of 142,500 uninsured are already Medicaid-eligible, which means 36,000 to 47,000 are in this pool. Presumes a pick up rate among this population of 50%.) The average cost to Medicaid for a non-disabled individual is approximately \$2,900 per year. Thus, the total yearly cost here would be from \$52 to \$68 million annually. The federal government would pick up 56.2% with the enhanced match under the stimulus law (ARRA) for the next few months, but after that, the amount goes back down to the normal 50%/50% matching rate.

Thus, it is fair to estimate that the impact to the State budget for this population will be anywhere from \$26 and \$34 million per year. Thus, taking the midpoint, starting in July of 2010 (fiscal year 2011) the estimated impact on the state budget will be approximately \$30 million per year. In projecting the growth in costs after FY 2011, this estimate uses the 7.9% annual Medicaid growth that is predicted by the Federal Centers of Medicare and Medicaid Services' (CMS) actuarial estimate for the annual increase in Medicaid over the next 10 years. Accordingly, this impact (in millions of state general fund dollars) can be estimated, as follows, based on upon a conservative 50% pick up rate for Medicaid-eligibles signing up for the program:

SFY 2011	30.1
SFY 2012	32.5
SFY 2013	35.0
SFY 2014	37.8
SFY 2015	40.8
SFY 2016	44.0
SFY 2017	47.5
SFY 2018	51.3
SFY 2019	55.3
<u>SFY 2020</u>	<u>59.7</u>
<b>Total (in \$\$ millions)</b>	<b>434.0</b>

NOTE: These figures do not include the information technology or personnel costs associated with expanding the number of locations to apply for Medicaid eligibility across the state.

## **2. Impact on Medicaid Expansion for able-bodied, childless adults to 150% FPL**

Another provision in HR 3962 (Section 1701) would expand Medicaid to cover all adults with incomes at or below 150% of the federal poverty limit. Currently, NH does not cover able-bodied childless adults in the Medicaid program, and only offers coverage to 63% of the federal poverty limit to adult, single parents.

Based upon the Congressional Budget Office's (CBO) estimate of 15 million new Medicaid enrollees as a result of HR 3962, adjusting for NH's demographics and the provisions above, a fair estimate of the individuals included in this expansion would be 30,000 to 50,000 new Medicaid enrollees. HR 3962 currently would have the federal funds covering all of these new costs until 2014 and then states would then pick up 9% of the costs. With the same average cost (\$2,900 per enrollee), the total costs would be \$87 to \$145 million per year this year, plus the cost of inflation on a per enrollee basis each year, using the same annual 7.9% inflation estimate by the federal government.

Taking a midpoint of 40,000 new enrollees, and adding Medicaid inflation, the state share in new state general funds costs in 2015 would be \$15.3 million. Adjusting for inflation over the next five years offers the following state impact (in millions of state general fund dollars):

SFY 2015	15.3
SFY 2016	16.5
SFY 2017	17.8
SFY 2018	19.2
SFY 2019	20.7
<u>SFY 2020</u>	<u>22.3</u>
<b>Total (in \$\$ millions)</b>	<b>111.8</b>

### **3. Elimination of Medicaid Enhancement Revenue through restructuring of Disproportionate Share Hospital (DSH) program**

The legislation pending before Congress would eliminate Medicaid Enhancement Revenues through a restructuring of the DSH program (Section 1704). These changes would make significant cuts in federal funding to the program, and change the formula to one in which the funds would be paid directly to DSH hospitals. Presently, these federal funds travel to the state's hospitals and the general fund to account for the share of uncompensated costs and charity care at the state's hospitals. Over the last few years, the State revenues have increased at an annual rate of approximately 5.4%.

SFY 2008 Actual	\$93.1 MM
SFY 2009 Actual	\$99.6 MM
SFY 2010 Budgeted	\$99.3 MM
SFY 2011 Budgeted	\$114.6 MM

Carrying these numbers forward to State Fiscal Year 2017, when the new federal law methodology would likely dismantle the NH DSH program, the revenue would be \$157 million, or over \$300 million over that biennium. The estimated loss to New Hampshire's general fund, therefore, of this revenue stream would be as follows:

SFY 2017	\$157 MM
SFY 2018	\$165.4 MM
SFY 2019	\$174.3 MM
<u>SFY 2020</u>	<u>\$183.7 MM</u>
<b>Total</b>	<b>\$680.4 MM</b>

The total cumulative impact to the State budget over the next ten years, for just these three changes alone can be estimated as follows (in millions of State general fund dollars):

SFY 2011	30.1
SFY 2012	32.5
SFY 2013	35.0
SFY 2014	37.8
SFY 2015	56.1
SFY 2016	60.5
SFY 2017	222.3
SFY 2018	235.9
SFY 2019	250.3
SFY 2020	265.7

Total estimated impact, including increased State expenses and lost revenue, to NH budget over the 10 year period of FY 2011 to 2020 of HR 3962 is: **\$1,226,200,000**

#### **4. Inability of New Hampshire to manage its Medicaid program to reduce costs prospectively**

A provision in HR 3962 (Section 1703) prohibits states from reducing either Medicaid eligibility or benefits as of June 16, 2009. This means that the New Hampshire legislature cannot make reductions in the scope of the largest program in state government.

*November 9, 2009*

While there is no specific cost associated with this provision, it ties the hand of the state to make potentially necessary reduction in difficult budgetary times. With the growth of Medicaid outstripping other programs, this provision might force reductions in other areas of state government, such as highways, public safety and education.

**Note:** The estimate above excludes the additional costs for technology or administration that will undoubtedly be necessary to meet the new mandates due to the expansions, such as added eligibility screening across the State. This is a matter that would concern any state.