



# Health Care Reform in Indian Country

Self-Governance Communication & Education

*Self-Governance Tribes Striving Towards Excellence in Health Care*

## Analysis of Extending Medicaid Eligibility to Low-Income Parents and Other Adults in Oklahoma: Program Spending, Offsets and Impact

Presentation to Oklahoma's Tribes

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# Oklahoma's Consideration of Medicaid Expansion Option

- Federal law established under the Affordable Care Act (ACA) offers states the option of expanding their Medicaid programs to cover parents and other adults with a household income at or less than 138% of the federal poverty level (FPL), with the federal government covering 90% of health services expenditures
  - Coverage of children up to 138% FPL already required
- In 2016, Oklahoma's citizenry engaged with elected officials to consider options available to the State to broaden access to health insurance coverage under the State's Medicaid program
- Oklahoma did not exercise its option to expand Medicaid, but Oklahoma citizens now have re-engaged on this issue—in significant part driven by the understanding that ***the State is forgoing nearly \$2 billion per year in critically needed federal funding as a result of this inaction***



# Oklahoma Lags Other States in Coverage Growth of IHS Eligible Individuals through Medicaid

- Nationally, over the 2010 – 2017 period, according to Census Bureau data, Medicaid enrollment of IHS eligible individuals grew –
  - In Medicaid expansion states, an average increase of **41%**
  - In non-expansion states, an average increase of **21%**
  - In Oklahoma, an increase of **11.7%**

IHS Eligible Individuals Enrollment in Medicaid: Medicaid Expansion and Non-Medicaid Expansion States				
	Pre-ACA Enactment (2010)	Current (2017; Census data)	Growth (#)	Growth (%)
Medicaid Expansion States (21 States)	283,470	398,976	115,506	41%
Non-Medicaid Expansion States (14 + 3 States)	145,002	175,969	30,967	21%
Oklahoma	70,818	79,125	8,307	12%
Total: All States with Federally Recognized Tribes	428,472	574,945	146,473	34%

- Conservative estimate of \$7.2 billion in foregone federal revenues to Oklahoma since 2014—and missed opportunity to increase access to critical health care services and improve health status—from not authorizing the Medicaid expansion



# Analysis Updated and Combined Findings from Two Medicaid Expansion Reports

- To help advance consideration—and hoped-for adoption—of the expansion of Medicaid eligibility in Oklahoma, an updated analysis was prepared by TSGAC, bringing together the spending projections and the revenue and funding offsets identified in the two earlier reports
  - **REPORT #1:** In 2016, **Manatt Health** issued a report commissioned by the Oklahoma Hospital Association (OHA) on the **projected enrollment, costs and spending offsets** from exercising the option available to each state under federal law to expand Medicaid coverage to all adults under 138% FPL
  - **REPORT #2:** In a separate report commissioned by the OHA and prepared by the **Oklahoma State University**, projections were made on the **economic impact** of implementation an expansion of Medicaid, **including revenue offsets**
- Analysis includes potential proposal from Oklahoma’s Indian health care providers (IHCPs) to increase the State’s claiming of 100% federal funding (FMAP) for services provided to IHS-eligible individuals through –
  1. Implementing care coordination agreements (CCA) for services to IHS-eligible individuals “received through” IHCPs
  2. Expanding IHCP capacity to serve IHS-eligible individuals



# Revisions Made to Two Prior Reports on Expanding Eligibility under Oklahoma's Medicaid Program

- In the TSGAC analysis:
  - Start date was revised, with a start date of SFY 2020 rather than SFY 2017
  - Per capita spending projections increased by 5% per year (from 2017 to 2020 and subsequent years) based on Manatt Report assumption of projected spending
  - Projections of spending and revenue offsets (*i.e.*, savings) from the Manatt and OSU reports were updated
  - Potential IHCP-initiative developed by Oklahoma's Tribes was incorporated into the projections, providing an additional funding mechanism based on increasing the share of Medicaid services eligible for 100% Federal Medical Assistance Percentage (FMAP)
- Limitation of the TSGAC analysis is it is based on prior reports' spending and offset projections, and underlying data, and not independently verified
  - Additional data on current spending and enrollment of IHS eligible individuals would be helpful, particularly for the IHCP initiative, to refine projections
- Report link: <https://www.tribalsefgov.org/health-reform/2019-health-actions/>



# Value of Medicaid Expansion in Oklahoma for Tribal Citizens and Other IHS Eligible Individuals

- Based on Census Bureau data, there are an estimated 34,474 *uninsured* IHS eligible individuals with household income at or below 138% FPL
- Average annual spending under Oklahoma’s Medicaid expansion is projected to be \$7,255

<b>Preliminary Estimate of Annual Spending on New IHS Eligible Enrollees under Medicaid Expansion in Oklahoma</b>	
Number of new IHS eligible Medicaid enrollees	34,474
Average annual per capita spending	\$7,255
<b>Total Annual Spending</b>	<b>\$250,093,200</b>

- Potential for additional, IHS eligible individuals with private insurance (*e.g.*, employer coverage; Marketplace enrollment) to enroll under Medicaid expansion
- In addition to new Medicaid expenditures, potential savings to Tribal employer-provided health insurance from low-income employees moving to Medicaid



# Overall Enrollment and Spending Projections under Medicaid Expansion

- **Approximately 275,000 Oklahoma residents projected to enroll under expansion**
  - Figures include new Medicaid enrollees who are currently uninsured (215,000) and currently insured (60,000) (*e.g.*, have employer-sponsored coverage)
  - Manatt Report appears to assume 16% (44,000) of total enrollees are American Indians / Alaska Natives
- Preliminary estimates indicate that, for the five-year period studied (SFY 2020 – 2024), **a direct State investment of approximately \$206.4 million per year will secure an average of \$1.72 billion in annual federal revenues**

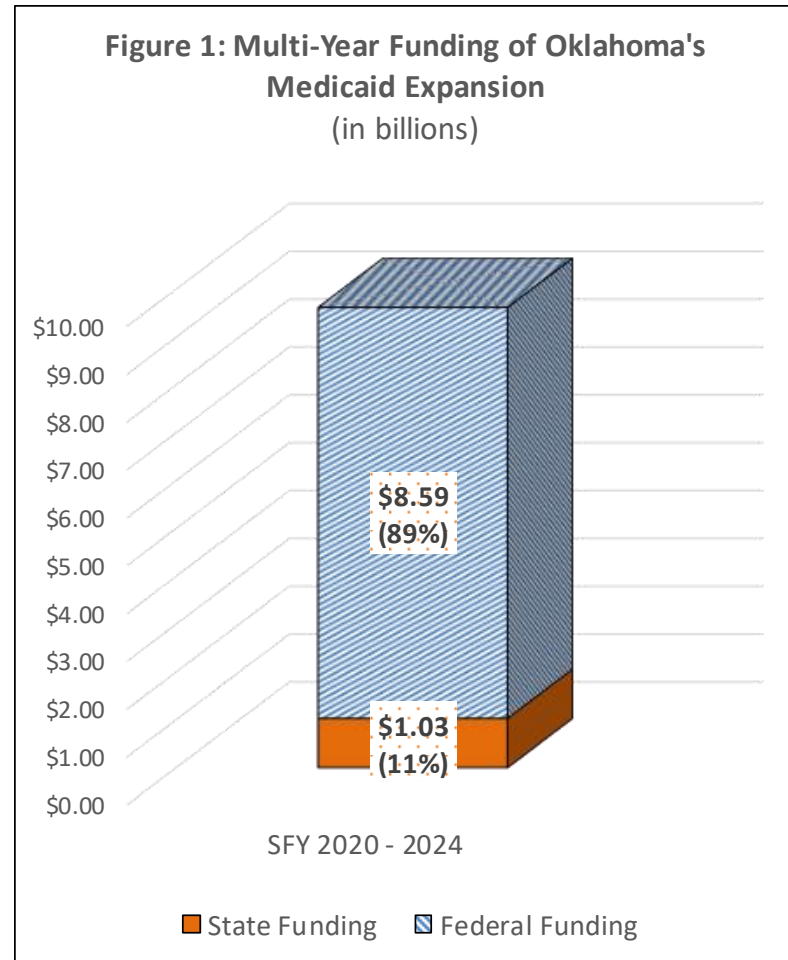
Table 1: Estimated Federal and State Funding of Total Expenditures for Oklahoma Medicaid Expansion Population; SFYs 2020-2024

	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	All Years	Average
<b>Total Expenditures</b>							
Total Funding	\$1,234,641,026	\$1,820,890,909	\$2,071,898,182	\$2,183,491,227	\$2,309,461,875	\$9,620,383,219	\$1,924,076,644
Federal Funding	\$1,102,194,139	\$1,625,567,273	\$1,849,649,455	\$1,949,272,118	\$2,061,730,125	\$8,588,413,110	\$1,717,682,622
<b>Direct State Funding</b>	<b>\$132,446,886</b>	<b>\$195,323,636</b>	<b>\$222,248,727</b>	<b>\$234,219,109</b>	<b>\$247,731,750</b>	<b>\$1,031,970,109</b>	<b>\$206,394,022</b>
<i>Effective FMAP</i>	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%	89.3%



# Enhanced FMAP under Medicaid Expansion Generates Tremendous Federal Revenues to Oklahoma

- Over 5 years –
  - **\$1.03 billion in direct State funding...**
  - **secures \$8.59 billion in federal funding**
- Ratio of \$8.32 in federal funds secured for each \$1 invested by the State
- Under standard Medicaid FMAP in Oklahoma, \$1.63 in federal funding for each \$1 in State spending





# Benefits to State's Economy and Health Care Providers

- If enacted, the Medicaid expansion will have a positive impact on the Oklahoma economy, as injecting an average of \$1.72 billion per year in new federal revenues will serve as a multiplier generating an even larger increase in annual economic activity in the State
- The Medicaid expansion would –
  - Support a projected 17,662 new jobs by SFY 2024
  - Generate an average of \$1.032 billion in annual labor income over the SFY 2020-2024 period
  - Contribute to increased business sales
  - Trigger increased economic activity of well-over \$2 billion per year (based on a review of the impact in other Medicaid expansion states)
- If authorized, the Medicaid expansion will support \$2.07 billion in health service expenditures in SFY 2022 alone
  - Dramatically reducing uncompensated care costs
  - Improving viability of rural hospitals



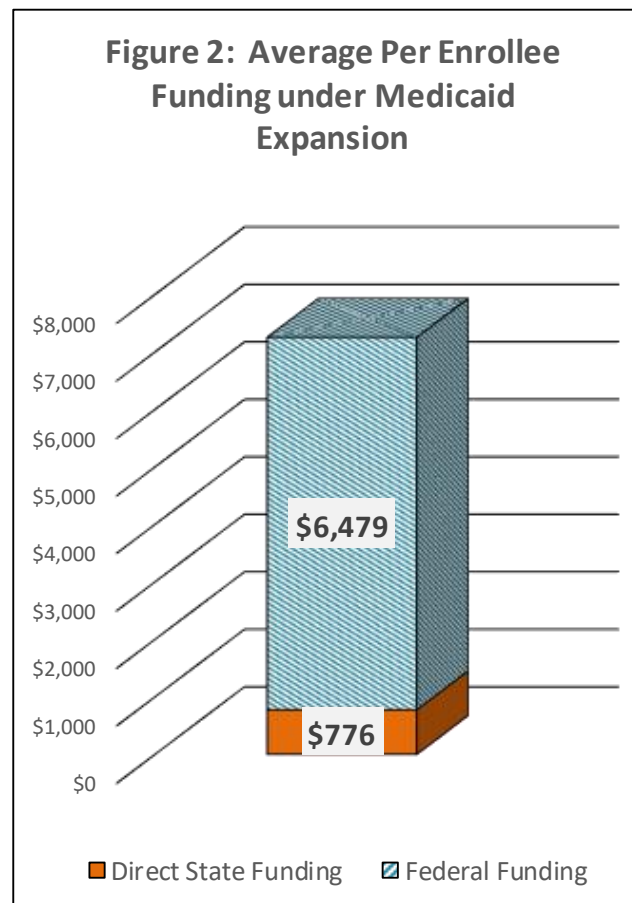
# Documented Improvements in Health Status and Financial Status of Enrollees

- Based on *published findings* from other states, expanding Medicaid for low-wage workers has the potential to –
  - (1) decrease medical debt, prevent bankruptcies, and improve credit terms for borrowers;
  - (2) curb crime in the State; and
  - (3) result in significant improvements in the physical health of residents, including **improvements in mortality rates**
- Research from Montana and Ohio also indicates that **implementing the Medicaid expansion (1) can make it easier for residents to seek or maintain employment and (2) can contribute to increased labor force participation**
- Oklahoma, like many states, is experiencing significant challenges from opioid use, leading to a greater need for substance use disorder services, as well as associated inpatient and pharmaceutical services; the benefit package under the Medicaid expansion would enable increased resources to be made available, as necessary, for these and other critically needed services.



# What Is Comprehensive Health Insurance Coverage to 275,000 Oklahoma Residents Worth?

- Over initial 5 years, \$1.03 billion in direct State funding is required in order to secure \$8.59 billion in federal funding
- For the 275,000 enrollees, the \$1.03 billion in direct State funding equates to approximately **\$776 in State funding per enrollee per enrollment year**, generating an average of \$6,479 per capita federal funding
- **Net State spending can be reduced as a result of offsets generated in other components of the State budget as a result of Medicaid expansion**



# Medicaid and Other State Program Offsets

- Offsets to direct State spending on Medicaid expansion—
  - **Medicaid program offsets** (from converting federal funding from the standard FMAP to 90% FMAP for some current Medicaid-eligible individuals)
  - **Other State program offsets** (from replacing 100% State funding with 90% federal funding)

Table 2a. REPLACING STATE FUNDING WITH FEDERAL FUNDING	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Totals
<b>A. Medicaid Program Offsets (increase from standard FMAP to 90% FMAP for health services)</b>						
Coverage of women during pregnancy <sup>3</sup>	(\$23.0)	(\$29.1)	(\$31.5)	(\$32.5)	(\$34.7)	(\$150.9)
Breast and cervical cancer patients <sup>4</sup>	(\$1.2)	(\$2.3)	(\$3.5)	(\$3.5)	(\$3.5)	(\$13.9)
Insure Oklahoma enrollees <sup>5</sup>	(\$18.4)	(\$18.7)	(\$21.0)	(\$18.6)	(\$20.8)	(\$97.5)
Individuals eligible for Medicaid based on disabled status <sup>6</sup>	(\$5.8)	(\$11.7)	(\$17.5)	(\$23.2)	(\$30.1)	(\$88.2)
<b>Subtotal</b>	<b>(\$48.3)</b>	<b>(\$61.8)</b>	<b>(\$73.5)</b>	<b>(\$77.7)</b>	<b>(\$89.1)</b>	<b>(\$350.4)</b>
<b>B. Other State Program Offsets (90% FMAP for previously 100% State-funded health services)</b>						
Department of Mental Health and Substance Abuse Services <sup>7</sup>	(\$20.7)	(\$32.6)	(\$37.3)	(\$42.9)	(\$42.8)	(\$176.4)
Department of Corrections <sup>8</sup>	(\$4.6)	(\$5.8)	(\$5.8)	(\$5.8)	(\$5.8)	(\$27.9)
Department of Health <sup>9</sup>	(\$2.3)	(\$3.5)	(\$3.5)	(\$4.6)	(\$4.6)	(\$18.6)
<b>Subtotal</b>	<b>(\$27.6)</b>	<b>(\$42.0)</b>	<b>(\$46.7)</b>	<b>(\$53.3)</b>	<b>(\$53.3)</b>	<b>(\$222.8)</b>
<b>TOTALS</b>	<b>(\$75.9)</b>	<b>(\$103.8)</b>	<b>(\$120.2)</b>	<b>(\$131.0)</b>	<b>(\$142.4)</b>	<b>(\$573.3)</b>

- *A five-year total of \$573 million (56% of total State Medicaid expansion spending) in offsets from other State programs*



# Increased Revenues to the State

- The Oklahoma State University assessment of the economic impact of the Medicaid expansion identified several categories of increased revenues

Table 2b. INCREASED REVENUES TO GOVERNMENT	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Totals
<b>C. Revenues</b>						
Hospital assessment <sup>10</sup>	(\$8.1)	(\$11.7)	(\$12.8)	(\$12.8)	(\$13.9)	(\$59.2)
Taxes on corporations <sup>11</sup>	(\$2.2)	(\$3.2)	(\$3.6)	(\$3.6)	(\$3.8)	(\$16.4)
Taxes on households (income/property/other) <sup>12</sup>	(\$20.2)	(\$29.0)	(\$32.2)	(\$32.9)	(\$34.0)	(\$148.3)
Taxes on production/imports (sales/property/other) <sup>13</sup>	(\$44.0)	(\$63.3)	(\$70.1)	(\$71.8)	(\$74.1)	(\$323.3)
Social insurance taxes <sup>14</sup>	(\$1.7)	(\$2.5)	(\$2.8)	(\$2.8)	(\$2.9)	(\$12.7)
<b>Subtotal</b>	<b>(\$76.2)</b>	<b>(\$109.6)</b>	<b>(\$121.5)</b>	<b>(\$124.0)</b>	<b>(\$128.6)</b>	<b>(\$559.9)</b>

- A five-year total of \$559.9 million (54% of total State Medicaid expansion spending) in increased revenues are projected to be collected as a result of the Medicaid expansion*



# Expanding 100% FMAP: Capturing Additional Federal Funds for Services to IHS Eligible Individuals

- In 2016, the Centers for Medicare and Medicaid Services (CMS) issued a guidance document informing states and IHCPs that the federal government will expand opportunities to claim 100% federal funds for services provided to IHS eligible individuals
  - Prior CMS policy: States receive 100% Federal Medical Assistance Percentage (FMAP) for health services provided by IHCPs to IHS eligible individuals
  - Expanded CMS policy: In addition to above, States will receive 100% FMAP for health services “received through” IHCPs by non-IHCPs to IHS eligible individuals
- The “received through” services must be provided pursuant to a Care Coordination Agreement (CCA) between the IHCP and the non-IHCP serving the IHS eligible individual
- **IHCPs have the option of whether to participate in CCAs**
- **In some states, IHCPs have negotiated to use savings generated from “received through” services to fund common goals**
  - **Proposal incorporated here is to expand pilot effort and use savings to support implementation of the Medicaid expansion**



# Offsets Resulting from Expansion of 100% FMAP Claiming for Services to AI/ANs

- Proposal offers to generate savings to the State by increasing 100% FMAP for health services provided to IHS eligible individuals by:
  1. Implementing care coordination agreements (CCA) for services to IHS-eligible individuals “received through” IHCPs
  2. Expanding IHCP capacity to serve IHS-eligible individuals
- Proposal calls for increasing the percentage of expenditures on IHS eligible individuals funded with 100% federal funds by 1 percentage point each year (for 5 years) under item 1 and item 2 above
  - A total of a 10 percentage point increase by SFY 2024 (44% to 54% of total)

Table 2c. FEDERAL REVENUES TO STATE	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Totals
<b>D. 100% FMAP for Medicaid Services for AI/ANs</b>						
<b>Non-expansion services</b>						
1. Increase in non-expansion services furnished by IHCPs (1 pct pt/year)	(\$2.5)	(\$5.3)	(\$8.4)	(\$11.9)	(\$15.8)	(\$44.0)
2. Increase in non-expansion services "received through" IHCPs (1 pct pt/year)	(\$2.5)	(\$5.3)	(\$8.4)	(\$11.9)	(\$15.8)	(\$44.0)
<b>Subtotal</b>	<b>(\$4.9)</b>	<b>(\$10.6)</b>	<b>(\$16.9)</b>	<b>(\$23.9)</b>	<b>(\$31.6)</b>	<b>(\$87.9)</b>
<b>Expansion services</b>						
1. Increase in expansion services furnished by IHCPs (1 pct pt/year)	(\$0.1)	(\$0.4)	(\$0.7)	(\$1.0)	(\$1.3)	(\$3.6)
2. Increase in expansion services "received through" IHCPs (1 pct pt/year)	(\$0.1)	(\$0.4)	(\$0.7)	(\$1.0)	(\$1.3)	(\$3.6)
<b>Subtotal</b>	<b>(\$0.3)</b>	<b>(\$0.8)</b>	<b>(\$1.4)</b>	<b>(\$2.0)</b>	<b>(\$2.7)</b>	<b>(\$7.2)</b>
<b>TOTALS</b>	<b>(\$5.2)</b>	<b>(\$11.4)</b>	<b>(\$18.3)</b>	<b>(\$25.9)</b>	<b>(\$34.3)</b>	<b>(\$95.2)</b>

- *A five-year total of \$95.2 million (9.2% of total State Medicaid expansion spending) in offsets from expanded claiming of 100% FMAP for services to AI/ANs*



# Net Funding Required from State

- In total over the SFY 2020-2024 period, \$1.03 billion in direct State funding for the Medicaid expansion is required but countered fully by \$1.23 billion in estimated offsets

**Table 2d: Preliminary Estimates of Oklahoma Spending on Medicaid Expansion (with Offsets): SFYs 2020-2024**  
*(Dollars in millions; " ( ) " indicates estimated offsets to Oklahoma General Revenue Fund)*

Net Impact on State General Fund	SFY 2020	SFY 2021	SFY 2022	SFY 2023	SFY 2024	Totals
<b>Total State Share of Funding</b>	\$132.4	\$195.3	\$222.2	\$234.2	\$247.7	\$1,032.0
<b>Total Offsets</b>	(\$152.5)	(\$214.2)	(\$243.0)	(\$257.0)	(\$273.7)	(\$1,228.4)
<b>Net Annual Costs to State GRF</b>	(\$20.0)	(\$18.9)	(\$20.8)	(\$22.8)	(\$25.9)	(\$196.4)

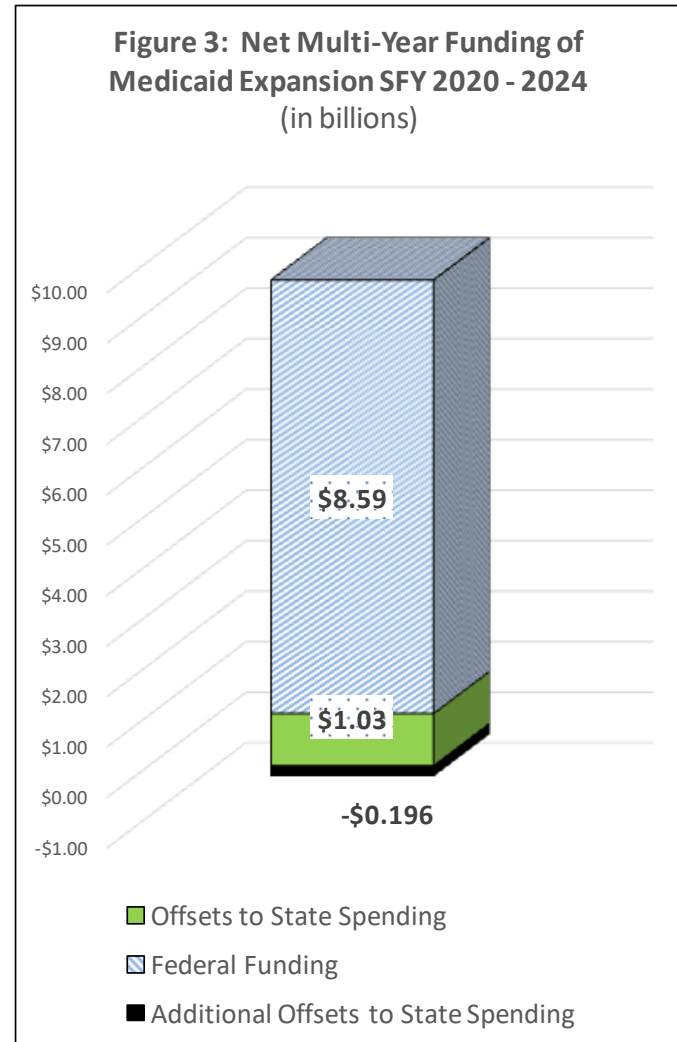
- After further review, some of the savings initiatives might not be fully realized, and some of the program savings and revenues might flow to other levels of government





# Net Funding Required from State

- As a result of these combined offsets, adoption of the Medicaid expansion is shown to require zero net spending by the State—and possibly to achieve net *savings* to the State—yet return substantial benefits to low-income parents and other adults, to health care providers, to small businesses, and to the overall State economy
- Over the SFY 2020-2024 period, \$1.23 billion in total estimated offsets
  - \$1.03 billion to offset projected State spending under expansion
  - An additional \$196 million in savings identified
  - \$95.2 million in offsets are derived from the increase in 100% FMAP claiming (approximately \$19 million per year; \$34 million per year in savings once fully implemented)



# Results Are Dramatic from Implementing Medicaid Expansion

- 275,000 low income individuals gain comprehensive health insurance coverage funded through Medicaid
  - Including 44,000 low-to-moderate income AI/ANs who gain health insurance coverage funded through Medicaid
- Significant improvement in health and financial status of enrollees
- Nearly \$2 billion in revenues per year to Oklahoma providers
- Substantial boost to State economy, including 17,000 permanent jobs and over \$1 billion in increased annual labor income
- Minimal to no net costs to the budget of the State of Oklahoma
- State further invested in ability of IHCPs to serve IHS eligible individuals

