

Health and Human Services Committee
LB 472
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Department of Health and Human Services

Good afternoon, Senator Campbell and members of the Health and Human Services Committee. My name is Courtney Miller and I am the Deputy Director of Programs for the Division of Medicaid and Long-Term Care. I am here to testify in opposition to LB 472.

The Nebraska Medicaid program currently provides coverage for low-income individuals in specific categories. In Fiscal Year 2014, Nebraska Medicaid covered, on a monthly average, 235,497 individuals at a total cost of more than \$1.8 billion.

The Medicaid program is the single largest program in state government. It is also one of the fastest growing programs in the state budget. The biennial budget approved in 2013 by the Legislature increased Medicaid spending by \$228 million in General Funds alone - an amount larger than many state agency budgets. When combined with the federal matching funds, which are also taxpayer dollars, the Medicaid budget increased by \$433 million in the last biennial budget, in large part, due to the implementation of the Affordable Care Act.

My testimony today is very similar to the testimony you heard last year opposing LB 887. Under both bills, Nebraska Medicaid would be required to cover a new optional category of adults up to 133% of the Federal Poverty Level. The Department estimates that the expansion under LB 472 will result in 127,029 new Medicaid eligibles through Fiscal Year 2020, with a cost of direct services of \$3.3 billion.

The Department commissioned an independent actuarial analysis of LB472 through the Milliman Company. Milliman's fiscal analysis of Nebraska's expansion of the Affordable Care Act under LB 472 is based on actual costs incurred by other states rather than the projected data of previous analyses. In addition, Milliman has found that no states that have realized Medicaid expansion enrollments lower than the state projections.

We were happy to provide the draft Milliman report to the Legislative Fiscal Office, at their request, so they would have it over the weekend which was prior to review by the Governor. The Department has since requested an updated report to include Fiscal Year

2021 to provide a comparative time period to previous reports. This has been provided to LFO as well, and it has been published on our public website.

As a result of LB 472, nearly one in five Nebraskans would be enrolled in Medicaid. Even with initial federal support under the Affordable Care Act (ACA), federal funds will decline by 10 percent by the end of the next four years shifting a huge burden onto the state budget. The uncertainty in federal funding of the Medicaid program is clear. Our state is currently dealing with a \$75 million General Fund impact in the Medicaid program due to the federal government's change in our state's federal match rate or "FMAP."

LB 472, much like LB887 proposed in 2014, is Medicaid expansion but at a higher cost. The optional premium assistance program proposed in LB472 requires Medicaid to pay not only private insurance premiums for recipients but also to provide additional "wrap around" benefits and pay all deductibles and copays. Premiums for private insurance are based on provider rates which are significantly higher than Medicaid provider rates making LB 472 not only an expansion of Medicaid but a very costly expansion.

The administrative duties created under LB 472 to DHHS are significant. The administrative costs to develop, implement and administer the additional waiver requirements of LB 472 are in excess of \$10 million in the first two years. These costs, along with the administrative costs associated with enrolling new recipients, total over \$50 million in the first two years alone. Through 2020, these costs exceed \$140 million. It is important to keep in mind that these *administrative* costs are not funded with 100% federal dollars but at a 50% match rate with the state.

Many providers either limit the number of Medicaid clients they will see or refuse to see any Medicaid patients. Expanding enrollment in Medicaid will exacerbate this problem. Access to care issues always adds pressure to increase provider rates which would further increase the cost to the state budget.

Finally, the Centers for Medicare and Medicaid Services (CMS) has stated that it will grant a "limited number" of Demonstration waivers which includes the waiver DHHS is directed to apply for under this bill. CMS has also stated that such waivers will only be effective until December 31, 2016. CMS is approaching this untested territory with limited and very short approval periods, in essence acknowledging the risk involved. There is a significant cost involved in "piloting" this program with no guarantee of either initial or ongoing federal approval.

For all the reasons stated, the Department opposes LB472.