

## **Health and Human Services Committee**

**LB 1032**

**February 10, 2016**

**Calder A. Lynch, Director**  
**Division of Medicaid and Long-Term Care**  
**Department of Health and Human Services**

Good afternoon, Senator Campbell and members of the Health and Human Services Committee. My name is Calder Lynch, (C-A-L-D-E-R L-Y-N-C-H). I am the Director of the Medicaid and Long-Term Care (MLTC) Division within the Department of Health and Human Services. I am here to testify in opposition to LB 1032 that will require the Department to submit a waiver to the Centers for Medicare and Medicaid Services (CMS) greatly expanding the population covered by the Medicaid program.

The state Medicaid program provides health care coverage to the most vulnerable in Nebraska— children, pregnant woman, elderly, and persons with disabilities. The Affordable Care Act allows states to expand coverage to adults up to 138% of the federal poverty level. I have serious concerns with the expansion of this program, from both a fiscal and policy perspective.

In 2000, Medicaid expenditures in Nebraska totaled \$983 million. Today, expenditures are over two billion dollars annually. While it is very difficult to accurately determine the total cost of a Medicaid expansion due to many unknowns, MLTC has worked with its actuary, Optumas, to develop a reasonable estimate of the cost to expand Medicaid in the manner outlined in LB 1032. In addition to being our current actuary and thus deeply familiar with our current program and costs, Optumas performed similar work for the State of Arkansas, whose expansion model serves as the basis for this proposal.

Optumas, whose report is attached to my testimony and available on our website, estimates that the Medicaid expansion proposed in LB 1032 would cost the state nearly one billion dollars in new state spending during its first ten years, adding nearly 126,000 individuals to Medicaid or state support by 2019. An expansion as outlined in LB 1032 will inherently be costly for Nebraska, as insurance purchased through the exchange is significantly more expensive than traditional Medicaid coverage. The costs of this bill will not be born by the state alone. In its actuarial analysis, Optumas projects that Nebraskans who purchase coverage through the exchange today will see their premiums rise by over 7% due to the introduction of the expansion population into the market.

As you will see detailed in our actuary's report, the annual state share of costs will rise to nearly \$89 million by 2021 and \$181 million annually by 2027. But these costs could quickly reach over \$600 million or more in new state spending annually should a future Congress decide to increase the state match rate to the state's historical contribution. There is no guarantee that Congress will keep its promise to maintain the enhanced matching rate for the expansion population. While the bill contains language to halt the program in this event, the reality of unwinding such a massive entitlement expansion is far more uncertain.

As of January 2016, Nebraska Medicaid covered 231,302 individuals. Adding an additional 126,000 by June 2019 and 136,500 by 2027, as projected by Optumas, will increase the total population supported through Medicaid by fifty percent, straining our state's existing provider networks and impacting our state's entire insurance market. The population covered by the expansion will not only include the

uninsured, but also those currently covered by private insurance. Additionally, the influx of expansion enrollees will potentially create new access challenges for the medically-frail expansion population and our existing Medicaid clients since it would be more lucrative for providers to see the newly-eligible populations that are covered through private insurance with higher reimbursement rates.

The bill before you today proposes to expand Medicaid by having the state purchase client's private insurance, similar to what was done in Arkansas and Iowa. Iowa has since eliminated this part of their Medicaid expansion and Arkansas is proposing significant changes to its program. I have several operational concerns about the proposal before you today. Due to the complexities of administering the program as outlined, it will require hiring at least 147 new state staff to perform functions such as individual determinations of cost-effectiveness for health insurance coverage, determine program eligibility, and to process copayments.

It is unclear how we would ensure private insurance networks meet the bill's requirements for patient-centered medical homes, or how Medicaid can guarantee that a client in a private health plan will make an appointment within sixty days of enrollment.

It is also uncertain how the state practically would collect the two percent (2%) contribution required. Questions also remain regarding what services not covered through the exchange we would be required to provide separately through Medicaid or how the necessary wrap-around services would be determined for individuals supported through employer-sponsored insurance.

Due to the work required to enact the complexities of this legislation, our fiscal note reflects that the administrative costs for administering this program will reach \$11,187,763 annually by 2027. I should note that unlike the enhanced match for health care costs, the state match for the majority of these costs is 50%.

Lastly, it is important to note that federal officials originally stated that a limited number of private option waivers would be approved. The Government Accountability Office, or GAO, issued a report in 2014 looking closely at the approval process for the Arkansas 1115 waiver and found serious issues with how CMS determined the waiver to be budget neutral, as required under federal law. Due to the upcoming change in the presidential administration and the criticism these waivers have received from entities like the GAO, it is unknown if the waiver outlined in LB 1032 would be approved.

For all of these reasons, I oppose LB 1032.

Thank you for the opportunity to testify before you today. I'm happy to answer any questions you may have.