Health and Human Services Committee
LB 887
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Kerry Winterer, CEO
Department of Health and Human Services

Good afternoon, Senator Campbell and members of the Health and Human Services Committee. My name is Kerry Winterer (K-E-R-R-Y W-I-N-T-E-R-E-R), and I have the privilege of being the Chief Executive Officer of the Nebraska Department of Health and Human Services. I am here to testify in opposition to LB 887.

The Nebraska Medicaid program currently provides coverage for low-income individuals in specific categories. In Fiscal Year 2013, Nebraska Medicaid covered, on a monthly average, 240,639 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 last year 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 most recent biennial budget. This year, the Department has requested an additional $17 million General Funds for fiscal year 2015 due to a decrease in the federal matching funds for the current program.

In my testimony today, I'll address our concerns with LB 887.

Under LB 887, Nebraska Medicaid would be required to cover a new category of adults up to 133% of the Federal Poverty Level. The Department estimates that the expansion under LB 887 will result in 113,410 new Medicaid eligibles through Fiscal Year 2020, with a cost of direct services in excess of $3.3 billion. This estimate is based on a draft report just received from the actuarial firm, Milliman, Inc. This report has been released today and is now posted on our website.

As a result of LB 887, 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 5 years shifting a huge burden onto the state budget.

But LB 887 is Medicaid expansion at a higher cost. For example, the premium assistance program 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. Additionally, premiums for private insurance are based on provider rates which are significantly higher than Medicaid provider rates making LB 887 not only an expansion of Medicaid but a very costly expansion.

The administrative duties created under LB 887 to DHHS are significant. The administrative costs to develop, implement and administer the additional waiver requirements of LB 887 are in excess of $6 million in the first two years. These costs, along with the administrative costs associated with enrolling new recipients, total over $35 million in the first two years alone. Through 2020, these costs exceed $143 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.

According to estimates as stated in the Milliman report, Medicaid expansion under LB887 will cost some 40% more in combined federal and state funds than Medicaid expansion alone.

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, particularly if state law would require all new enrollees to see a provider within 60 days as proposed in LB 887.

We are all familiar with the problems the federal government has had with the implementation of the Affordable Care Act (ACA). To date, DHHS's coordination with the Federally Facilitated Marketplace has been fraught with problems. Thousands of Nebraskans have been in limbo since October 2013 due to the federal government's failure to successfully move applications between the

State and the Marketplace. I want to be clear, however, that the state's system to receive and send applications and information to and from the federal Marketplace has been in place and working since this past fall.
LB 887, in addition to increasing the population trying to navigate new and confusing requirements, adds complexity to a system that is still not working. In fact, the bill requires more interfaces with the Marketplace and insurers than is now required. As stated previously, the resources in staffing and systems that would be required for DHHS to implement adequately the details of LB 887 are significant, especially in light of current concerns with the federal interface.

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 for premium assistance. 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. If it ends in 2016, the options that may be open to the state are unknown.

For all the reasons stated, the Department opposes LB887.

I will be happy to respond to any questions you may have to the extent I am able.